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

FORM 10-Q/A

Amendment No. 1

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from ________________ to ________________

Commission file number: 001-13183

ACRE REALTY INVESTORS INC.

(Exact name of registrant as specified in its charter)

Georgia	**58-2122873**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
c/o Avenue Capital Group **399 Park Avenue, 6th Floor** **New York, New York**	**10022**
(Address of principal executive offices)	(Zip Code)

212-850-7534
(Registrant's telephone number, including area code)

Roberts Realty Investors, Inc.
375 Northridge Road, Suite 330, Atlanta, Georgia, 30350

Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. 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 ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 9, 2015
Common Stock, $.01 par value per share	17,815,335 shares

EXPLANATORY NOTE

Background of the Restatement

ACRE Realty Investors Inc. (formerly known as Roberts Realty Investors, Inc.) is filing this Amendment No. 1 on Form 10-Q/A (this "Form 10-Q/A" to our quarterly report on Form 10-Q for the period ended June 30, 2014, that we originally filed with the SEC on July 28, 2014 (the "Original 10-Q"), for the following purposes:

(1) to restate our condensed consolidated financial statements and related footnote disclosures for the quarters and six month periods ended June 30, 2014 and 2013 to reflect the corrections described below;

(2) to include "Income Taxes" as an item in the "Critical Accounting Policies and Estimates" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations";

(3) to disclose that our management (prior to the changes in our management described below under "Recent Events Not Reflected in This Form 10-Q/A") has concluded that, as of June 30, 2014, our disclosure controls and procedures were not effective and our internal control over financial reporting was not effective; and

(4) to add certain risk factors associated with our classification as a taxable C corporation.

This Form 10-Q/A also amends other items in the Original 10-Q, as listed in "Items Amended in this Form 10-Q/A" below.

This Form 10-Q/A is presented as of the date of the Original 10-Q and does not reflect events occurring after that date, or modify or update information contained in the Original 10-Q in any way, other than as required to reflect the restatement described below. See "Recent Events Not Reflected in This Form 10-Q/A" under this Explanatory Note below for more information regarding certain events that occurred after the date of the Original 10-Q and that are not reflected in this Form 10-Q/A, other than in this Explanatory Note and in Note 12 – Subsequent Events – in the Notes to Condensed Consolidated Financial Statements. Our principal executive officer and principal financial officer as of the date of the filing of this Form 10-Q/A were not affiliated with us during the periods presented in this Form 10-Q/A and had no involvement with the events that gave rise to the restatement.

Restatement

On November 17, 2014, we filed a Report on Form 12b-5, stating that during the course of our pursuit of strategic alternatives as described in previous SEC filings, an error was discovered in the calculation of the 95% gross income test for purposes of our qualification as a REIT under the Internal Revenue Code in the tax year ending December 31, 2009. The error related solely to whether certain transactions created income and the characterization of certain items of income between "good" and "bad" income for the purposes of this specific REIT qualification test. Consequently, we did not qualify as a REIT for the years ended December 31, 2009-2014. Our consolidated financial statements for those periods were prepared based on the assumption that the Company was a REIT when it was actually a taxable C corporation. As a result, our board of directors, including our audit committee, concluded on November 17, 2014 that we had failed to qualify to be taxed as a REIT for federal income tax purposes in the tax year ended December 31, 2009 and for the periods since that date, and, accordingly, our previously issued consolidated financial statements included in our SEC filings after December 31, 2008 should no longer be relied upon.

This change in our taxable status does not negatively affect our economic position during the periods described above. We had a taxable loss in each of the years during the period described above, and we did not have any tax liability in any of those years despite being a C corporation each year. We made no distributions to shareholders in any of those years and, as of December 31, 2013, had approximately $15.94 million of net operating loss carry forwards.

As of June 30, 2014 and 2013, the restatements related to the change in taxable status (a) had no effect on total assets, total liabilities, net loss, or total stockholders' equity, but (b) did result in offsetting adjustments within assets.

Internal Control Consideration

Our management (prior to the changes in our management described below under "Recent Events Not Reflected in This Form 10-Q/A") has determined that our failure to properly evaluate the qualifications to be taxed as a REIT for federal income tax purposes was a deficiency in our internal control over financial reporting that constituted a material weakness at June 30, 2014, as described in Part I, Item 4 of this Form 10-Q/A. As also described in Part I, Item 4 of this Form 10-Q/A, this determination led to a conclusion by our Chief Executive Officer and Chief Financial Officer (prior to the events described below under "Recent Events Not Reflected in This Form 10-Q/A") that, as of June 30, 2014, the end of the period covered by this report, our disclosure controls and procedures were not effective.

Items Amended in this Form 10-Q/A

This Form 10-Q/A amends the Original 10-Q solely to reflect the changes described above. For the convenience of the reader, this Form 10-Q/A includes the entire text of the Original 10-Q, as modified and superseded where necessary to reflect the restatement and other changes indicated. Specifically, the following items included in the 10-Q are amended by this Form 10-Q/A:

Note Regarding Forward-Looking Statements

Part I, Item 1, Financial Statements;
Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations;
Part I, Item 4, Controls and Procedures;
Part II, Item 1A, Risk Factors
Part II, Item 6 Exhibits

Recent Events Not Reflected in This Form 10-Q/A

The events described below are not reflected in this Form 10-Q/A, other than in Note 12 - Subsequent Events - to the financial statements included herein.

On November 19, 2014, the Company and its operating partnership entered into a Stock Purchase Agreement with A-III Investment Partners LLC ("A-III"). On January 30, 2015, the Company and A-III closed the transactions contemplated under the Stock Purchase Agreement. At the closing, A-III purchased 8,450,704 shares of the Company's common stock at a purchase price of $1.42 per share, for an aggregate purchase price of $12 million, and the Company issued to A-III warrants to purchase up to an additional 26,760,563 shares of the Company's common stock at an exercise price of $1.42 per share ($38 million in the aggregate). The purchase price per share and the exercise price of the warrants are subject to a potential post-closing adjustment upon completion of the sale of the Company's four existing land parcels, which could result in the issuance of additional shares of common stock to A-III and an increase in the number of shares of common stock issuable upon exercise of the warrants. The Company used a portion of the proceeds of A-III's investment to pay off certain of the Company's outstanding indebtedness.

Immediately after the closing, the Company's name was changed to ACRE Realty Investors Inc., and the name of the Company's operating partnership was changed to ACRE Realty LP. On Monday, February 2, 2015, the Company's common stock began trading under the new ticker symbol "AIII" (NYSE MKT: AIII). The principal office of the Company was moved to 399 Park Avenue, 6th Floor, New York, New York 10022.

As a result of the transaction, A-III is now the largest shareholder of the Company, owning approximately 47% of the Company's outstanding shares of common stock, or approximately 40% on a diluted basis assuming conversion of the outstanding units of limited partnership interest in the Company's operating partnership into Company common stock and assuming no exercise of the warrants.

Immediately following the closing, the Company's Board of Directors was expanded from five to seven members, and its composition was changed as a result of the resignations of Weldon R. Humphries, William Jarell Jones, John L. Davis and Charles R. Elliott and the appointments of Edward Gellert, Robert C. Lieber, Bruce D. Frank, Robert G. Koen, Robert L. Loverd and Kyle Permut to fill the vacancies. Charles S. Roberts, who is continuing on the Board, resigned as Chairman, and Edward Gellert was appointed as the new Chairman. Messrs. Gellert and Lieber are affiliated with A-III, and Messrs. Frank, Koen, Loverd and Permut are independent directors.

Effective as of the closing, the Company's management was changed and the Company is now externally managed by A-III Manager LLC, which is a wholly-owned subsidiary of A-III, pursuant to a management agreement between the Company and A-III Manager that was executed at the closing. Immediately after the closing on January 30, 2015, A-III Manager designated, and the A-III Board appointed, the following persons as the new executive officers of the Company: Edward Gellert is Chief Executive Officer and President; Robert Gellert is Executive Vice President, Chief Operating Officer and Treasurer; Gregory Simon is Executive Vice President, General Counsel and Secretary; Mark Chertok is Chief Financial Officer. Charles S. Roberts, who previously served as the Company's Chairman, President and Chief Executive Officer, was appointed as an Executive Vice President. Mr. Roberts will be responsible for overseeing the sale of the four land parcels currently owned by the Company.

References to the Registrant

As described above under "Recent Events Not Reflected in This Form 10-Q/A," on January 30, 2015, the registrant changed its corporate name from Roberts Realty Investors, Inc. to ACRE Realty Investors Inc., and we use the new name on the cover page, the report of our independent registered public accounting firm, the signature page, and certain exhibits. Given that this Form 10-Q/A amends the Original 10-Q, which was filed in August 2014 before the name change occurred, we refer to the registrant elsewhere in this Form 10-Q/A (unless the context indicates otherwise) as "Roberts Realty," "we," "us," "the company," and "our." Those references also encompass our wholly owned subsidiary, ACRE Realty LP (formerly known as Roberts Properties Residential, L.P.), which we refer to as the operating partnership, except that in the discussion of our capital stock and related matters, these terms refer solely to the registrant and not to the operating partnership. All references to the "operating partnership" refer to ACRE Realty LP only.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements relate to future economic performance, plans and objectives of management for future operations, and projections of revenues and other financial items that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. The words “expect,” “intend,” “estimate,” “anticipate,” “believe,” and similar expressions are intended to identify forward-looking statements. We make forward-looking statements in the notes to the unaudited condensed consolidated financial statements included in this report and in Part I, Item 2 of this report.

Some of the forward-looking statements relate to our intent, belief, or expectations regarding our strategies and business plan, including a possible sale, merger, other business combination or recapitalization of the company; development and construction of new multifamily apartment communities; the possible sale of properties; and the ways we may finance our future development and construction activities. Other forward-looking statements relate to loan extensions, trends affecting our financial condition and results of operations, our anticipated capital needs and expenditures, and how we may address these needs. These statements involve risks, uncertainties, and assumptions, including the financing environment for construction loans for new multifamily apartment communities; our possible inability to negotiate extensions of our short-term loans; uncertainties with respect to the sale of our North Springs property; our continued evaluation of strategic alternatives; and other factors discussed in this report and in our other filings with the SEC. These forward-looking statements are not guarantees of future performance and our actual results may differ materially from those that are anticipated in the forward-looking statements. See Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2013, as well as Part II, Item 1A, Risk Factors, below, for a description of some of the important factors that may affect actual outcomes.

For these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this report. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

ROBERTS REALTY INVESTORS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	Restated June 30, 2014 (Unaudited)	Restated December 31, 2013 (Unaudited)
ASSETS		
REAL ESTATE ASSETS:		
Construction in progress and real estate under development	$ 12,776,407	$ 12,450,385
Real estate assets held for sale	11,500,000	11,500,000
Net real estate assets	24,276,407	23,950,385
CASH AND CASH EQUIVALENTS	1,909,371	3,522,867

RESTRICTED CASH	330,170	574,204
DEFERRED FINANCING COSTS – Net of accumulated amortization of $200,575 and $95,013 at June 30, 2014 and December 31, 2013, respectively	69,258	122,087
OTHER ASSETS – Net of accumulated depreciation of $81,614 and $111,909 at June 30, 2014 and December 31, 2013, respectively	60,278	43,075
ASSETS RELATED TO DISCONTINUED OPERATIONS	66,000	122,340
	$ 26,711,484	$ 28,334,958
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Land notes payable	$ 5,565,000	$ 5,600,000
Accounts payable and accrued expenses	368,381	431,344
Due to affiliates	86,739	47,441
Liabilities related to real estate assets held for sale	5,576,328	5,561,579
Liabilities related to discontinued operations	—	560
Total liabilities	11,596,448	11,640,924
COMMITMENTS AND CONTINGENCIES (Note 11)		
NONCONTROLLING INTEREST – OPERATING PARTNERSHIP	2,992,777	3,328,791
SHAREHOLDERS' EQUITY:		
Preferred shares, $.01 par value, 20,000,000 shares authorized, no shares issued and outstanding		
Common shares, $.01 par value, 100,000,000 shares authorized, 10,720,257 and 10,702,934 shares issued and 10,063,155 and 10,045,832 shares outstanding at June 30, 2014 and December 31, 2013, respectively	107,202	107,029
Additional paid-in capital	31,119,107	31,097,171
Treasury shares, at cost (72,717 shares at June 30, 2014 and December 31, 2013)	(71,332)	(71,332)
Accumulated deficit	(19,032,718)	(17,767,625)
Total shareholders' equity	12,122,259	13,365,243
	$ 26,711,484	$ 28,334,958

See notes to the condensed consolidated financial statements.

ROBERTS REALTY INVESTORS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Restated Three Months Ended June 30,		Restated Six Months Ended June 30,	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
OPERATING REVENUES:				
Rental operations	$ —	$ —	$ —	$ 3,587
Other operating income	91	6	5,963	19
Total operating revenues	91	6	5,963	3,606

OPERATING EXPENSES:				
Utilities	86	22	89	59
Repairs and maintenance	3,238	49,040	5,582	99,322
Real estate taxes	25,539	26,239	46,545	54,818
Marketing, insurance and other	3,590	2,315	5,115	5,512
General and administrative expenses	471,362	360,248	937,186	802,669
Depreciation expense	1,197	177	1,381	269
Total operating expenses	505,012	438,041	995,898	962,649
OTHER INCOME (EXPENSE):				
Gain on sale of real estate assets	—	—	—	1,253,933
Gain on disposal of assets	1,344	—	3,897	—
Interest income	338	111	813	264
Interest expense	(247,342)	(127,515)	(485,944)	(291,175)
Amortization of deferred financing costs	(53,708)	(25,697)	(107,829)	(72,721)
Total other (expense) income	(299,368)	(153,101)	(589,063)	890,301
LOSS FROM CONTINUING OPERATIONS	(804,289)	(591,136)	(1,578,998)	(68,742)
LOSS FROM DISCONTINUED OPERATIONS	—	(77,506)	—	(153,255)
NET LOSS	(804,289)	(668,642)	(1,578,998)	(221,997)
LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	(159,410)	(102,369)	(313,905)	(34,143)
LOSS AVAILABLE FOR COMMON SHAREHOLDERS	$ (644,879)	$ (566,273)	$ (1,265,093)	$ (187,854)
LOSS PER COMMON SHARE – BASIC AND DILUTED (Note 6):				
Loss from continuing operations – basic and diluted	$ (0.06)	$ (0.05)	$ (0.12)	$ (0.01)
Loss from discontinued operations – basic and diluted	—	(0.01)	—	(0.01)
Net loss – basic and diluted	$ (0.06)	$ (0.06)	$ (0.12)	$ (0.02)

See notes to the condensed consolidated financial statements.

ROBERTS REALTY INVESTORS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2014 (Unaudited)	Restated Six Months Ended June 30, 2013 (Unaudited)
OPERATING ACTIVITIES:		
Net loss	$ (1,578,998)	$ (221,997)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	109,210	179,623
Gain on sale of real estate assets	—	(1,253,933)
Share-based compensation expense	—	18,630
Amortization of above and below market leases	—	(3,357)
Decrease in due from affiliates	—	403,182
Decrease in other assets	48,640	48,631

Increase in due to affiliates	21,798	35,785
(Decrease) increase in accounts payable, accrued expenses and other liabilities relating to operations	(118,828)	252,528
Net cash used in operating activities	(1,518,178)	(540,908)
INVESTING ACTIVITIES:		
Proceeds from sale of real estate assets	—	8,040,000
Proceeds from sale of furniture, fixtures and equipment	3,897	—
Purchase of furniture, fixtures and equipment	(14,781)	(1,902)
Payment of leasing costs	—	(4,668)
Decrease in restricted cash	244,034	38,936
Increase (decrease) in accounts payable, accrued expenses and other liabilities relating to investing activities	70,054	(35,654)
Increase (decrease) in due to affiliates relating to investing activities	17,500	(605)
Development and construction of real estate assets	(326,022)	(517,586)
Net cash (used in) provided by investing activities	(5,318)	7,518,521
FINANCING ACTIVITIES:		
Principal repayments on liabilities related to discontinued operations	—	(93,282)
Principal repayments on land notes payable	(35,000)	(30,000)
Principal repayments on liabilities related to real estate assets held for sale	—	(7,000,200)
Payment of loan costs	(55,000)	(51,313)
Net cash used in financing activities	(90,000)	(7,174,795)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,613,496)	(197,182)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,522,867	401,018
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,909,371	$ 203,836

See notes to the condensed consolidated financial statements.

ROBERTS REALTY INVESTORS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Restated Six Months Ended June 30,	
	2014 (Unaudited)	**2013 (Unaudited)**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 473,305	$ 484,098
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES AND FINANCING ACTIVITIES:		
Development and construction of real estate assets due to but not paid to affiliates	$ 17,500	$ —
Redemption of operating partnership units for common shares	$ 14,570	$ 33,100
Adjustments to noncontrolling interest in the operating partnership	$ 7,539	$ 95

See notes to the condensed consolidated financial statements.

ROBERTS REALTY INVESTORS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (RESTATED)

1. BUSINESS AND ORGANIZATION

ACRE Realty Investors Inc. (known as Roberts Realty Investors, Inc. until its name was changed on January 30, 2015), a Georgia corporation, was formed on July 22, 1994 to serve as a vehicle for investments in, and ownership of, a professionally managed real estate portfolio of multifamily apartment communities. Given that these financial statements have been restated for periods during which the company was named Roberts Realty Investors, Inc., we have continued to refer to the company as "Roberts Realty" in these Notes unless the context requires otherwise.

Roberts Realty conducts all of its operations and owns all of its assets in and through Roberts Properties Residential, L.P., a Georgia limited partnership (the "operating partnership"), and the operating partnership's wholly owned subsidiary, which is a Georgia limited liability company. Roberts Realty controls the operating partnership as its sole general partner and had an 80.20% ownership interest in the operating partnership at June 30, 2014 and an 84.74% ownership interest in the operating partnership at June 30, 2013.

At June 30, 2014, Roberts Realty owned the following real estate assets, all of which are located in the north Atlanta metropolitan area:

? three tracts of land totaling 71 acres, zoned for 584 multifamily apartment units, that are in various phases of development and construction; and

? two tracts of land totaling 11 acres that are held for sale, including a 1.3-acre tract which has subsequently been sold for $700,000 (see Note 4 – Real Estate Assets Held for Sale and Discontinued Operations and Note 12 – Subsequent Events).

Management's Business Plan. Roberts Realty intends to focus exclusively on developing, constructing, and managing high quality multifamily apartment communities for cash flow and long-term capital appreciation. As part of its future business and growth plan, Roberts Realty expects to acquire existing multifamily apartment communities and to concentrate its acquisitions on well-located Class B apartment communities in the southeastern United States that can be upgraded and repositioned in their respective markets.

Roberts Realty's primary liquidity requirements are related to its continuing negative operating cash flow and maturing short-term debt. Roberts Realty's negative operating cash flow is primarily due to its ownership of five tracts of land that do not produce ongoing revenue but incur carrying costs of interest expense and real estate taxes. Roberts Realty is using its current cash balance to meet its short-term liquidity requirements, including general and administrative expenses, principal reductions on its debt, and funding carrying costs and improvements at its existing properties. Roberts Realty has the ability to defer property development costs, if necessary, to meet its short-term liquidity requirements. As of July 18, 2014, Roberts Realty had three loans with a total principal balance of $10,374,636 that are scheduled to mature within the next 12 months: (a) the $1,874,636 Highway 20 land loan that matures on October 8, 2014; (b) the $5,500,000 North Springs land loan that matures on October 17, 2014 (which Roberts Realty can extend to January 17, 2015 through a 3-month extension option by paying a 1.0% extension fee); and (c) the $3,000,000 Bradley Park land loan that matures on April 1, 2015.

Management's primary objectives for the remainder of 2014 are to sell the North Springs transit-oriented property and to continue to develop the Bradley Park, Northridge, and Highway 20 properties while continuing to reduce the company's debt and decrease its negative operating cash flow.

Roberts Realty intends to use the sales proceeds from the North Springs property, which has an independent appraised value of $16,350,000, to pay off its $5,500,000 land loan. Management intends to renew, refinance, or repay the Highway 20 and Bradley Park loans as they come due and to extend their maturity dates at least 12 months, if necessary. Management believes that its long history of operating and developing multifamily apartment communities, its current plans to sell the North Springs property or use it in a joint venture and to continue developing its remaining land, will allow it to successfully extend or obtain alternative funding to repay or refinance these loans.

If Roberts Realty does not sell the North Springs property as it intends, or Roberts Realty is unable to extend, refinance, or find alternative funding to repay, the North Springs, Highway 20, and Bradley Park loans at maturity, it might be compelled to dispose of one or more of its properties on disadvantageous terms or it might be forced to return these properties to the respective lenders in satisfaction of the debt secured by these properties, which could result in significant losses.

However, Roberts Realty believes that this is an opportune time to create new multifamily apartment communities and that it can create value for its shareholders as it has historically done through developing, constructing, and managing high quality multifamily apartment communities for cash flow and long-term capital appreciation. Roberts Realty intends to continue moving forward with the development and construction of its Bradley Park, Northridge, and Highway 20 multifamily apartment communities, although it cannot make substantial progress on constructing and leasing up these apartment communities until it raises the necessary equity and obtains the required construction loans. Management currently estimates that it will need approximately $17,325,000 of additional equity and $53,129,000 of debt to complete the construction of the Bradley Park, Northridge, and Highway 20 multifamily apartment communities.

Roberts Realty is in discussions with possible joint venture participants such as pension funds, life insurance companies, hedge funds, sovereign wealth funds, other foreign investors, and local investors regarding providing the additional equity for the development and construction of the Bradley Park, Northridge, and Highway 20 multifamily apartment communities. Roberts Realty may also form a new affiliate that would raise private equity for the specific purpose of purchasing one or more of the remaining land parcels and constructing multifamily apartment communities. Roberts Realty may also sell one or more of these land parcels to Roberts Properties, Inc. ("Roberts Properties"), which is wholly-owned by Mr. Charles S. Roberts, the former President, Chief Executive Officer, and Chairman of the Board of Roberts Realty, or to a newly formed affiliate of Roberts Properties that would raise private equity for the specific purpose of purchasing one or more of the remaining land parcels and constructing multifamily apartment communities.

If Roberts Realty is unable to sell the North Springs property, find a joint venture partner, or raise private equity as it intends, Roberts Realty will be unable to carry out its planned development and construction program and execute its business plan, which might result in significant losses. Roberts Realty cannot provide any assurance that it will be able to raise the equity and obtain the debt needed to complete the construction of any new multifamily communities.

As previously reported, in addition to the above objectives, Roberts Realty continues to work on strategic alternatives that would maximize shareholder value through a sale, merger, other business combination, or recapitalization. Roberts Realty has engaged in discussions with both private companies and individuals regarding these alternatives, including parties that have expressed a desire to become a public company through a transaction with Roberts Realty. To date, Roberts Realty has not entered into any definitive agreement for such a transaction. Management continues to pursue and work diligently on any such transaction that would reward shareholders and maximize their value, although Roberts Realty is unable to provide any assurance that such a transaction will be consummated.

2. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During the course of Roberts Realty's pursuit of strategic alternatives, an error was discovered in the calculation of the 95% gross income test for purposes of its qualification as a real estate investment trust, or REIT, under the Internal Revenue Code in the tax year ended December 31, 2009. Consequently, Roberts Realty did not qualify as a REIT for the years ended December 31, 2009-2014. Roberts Realty's consolidated financial statements for those periods were prepared based on the assumption that the Company was a REIT when it was actually a taxable C corporation.

As a result, Roberts Realty has restated the condensed consolidated balance sheets, consolidated statements of operations, and consolidated statements of cash flows as of and for the quarterly periods ended June 30, 2014 and 2013 to reflect the change in the taxable status of the company to a taxable C corporation and to include income tax provisions, a corresponding valuation allowance for the net deferred income tax assets. Roberts Realty had a taxable loss in each of the quarterly periods described above and did not have any income tax liability in any of those periods, so there was no tax liability resulting from the change in income tax status.

3. BASIS OF PRESENTATION

Roberts Realty's management has prepared the accompanying interim unaudited financial statements in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and in conformity with the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, the interim financial statements reflect all adjustments of a normal and recurring nature that are necessary to fairly state the interim financial statements. The results of operations for the interim periods do not necessarily indicate the results that may be expected for the year ending December 31, 2014. These condensed consolidated financial statements should be read in conjunction with Roberts Realty's audited financial statements and the accompanying notes in Roberts Realty's Annual Report on Form 10-K for the year ended December 31, 2013. Roberts Realty has omitted from these notes to condensed consolidated financial statements some of the disclosures contained in the notes to the audited financial statements included in its annual report. In the condensed consolidated financial statements included in this report, Roberts Realty has made certain reclassifications of prior year's balances with respect to discontinued operations and real estate assets held for sale to conform to the current presentation.

Holders of operating partnership units generally have the right to require the operating partnership to redeem their units for shares of Roberts Realty common stock. Upon submittal of units for redemption, the operating partnership has the option either (a) to acquire those units in exchange for shares, currently on the basis of 1.647 shares for each unit submitted for redemption (the "Conversion Factor"), or (b) to pay cash for those units at their fair market value, based upon the then current trading price of the shares and using the same exchange ratio. Roberts Realty has adopted a policy of issuing shares in exchange for all units submitted for redemption.

In July 2013, the operating partnership privately offered to investors who held both units of the operating partnership and shares of common stock the opportunity to contribute shares to the operating partnership in exchange for units, provided that the investors were "accredited investors" under SEC Rule 501 of Regulation D under the Securities Act. This opportunity remains open to those accredited investors. Consistent with the Conversion Factor noted above, the offering of units uses a "Contribution Factor" such that an accredited investor who contributes shares to the operating partnership will receive one unit for every 1.647 shares contributed.

The noncontrolling interest of the unitholders in the operating partnership on the accompanying balance sheets is calculated by multiplying the noncontrolling interest ownership percentage at the balance sheet date by the operating partnership's net assets (total assets less total liabilities). The noncontrolling interest ownership percentage is calculated at any point in time by dividing (x) (the number of units outstanding multiplied by 1.647) by (y) the total number of shares plus (the number of units outstanding multiplied by 1.647). The noncontrolling interest ownership percentage will change as additional shares and/or units are issued or as units are redeemed for shares of Roberts Realty common stock or as Roberts Realty common stock is contributed to the operating partnership and units are issued in accordance with the Contribution Factor. The noncontrolling interest of the unitholders in the income or loss of the operating partnership on the accompanying condensed consolidated statements of operations is calculated based on the weighted average percentage of units outstanding during the period, which was 19.82% for the three months ended June 30, 2014 and 15.31% for the three months ended June 30, 2013; and 19.88% for the six months ended June 30, 2014 and 15.38% for the six months ended June 30, 2013. There were 1,508,519 units outstanding as of June 30, 2014 and 1,519,036 units outstanding as of December 31, 2013. The noncontrolling interest of the unitholders was $2,992,777 at June 30, 2014 and $3,328,791 at December 31, 2013.

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810, *Consolidation*, Roberts Realty records noncontrolling interest in the operating partnership on its condensed consolidated balance sheets at the greater of its carrying amount or redemption value at the end of each reporting period. Any changes in the value from period to period are charged to "additional paid-in-capital".

The following table details the components of noncontrolling interest related to unitholders in the operating partnership for the six months ended June 30, 2014 and 2013 (see Note 6 – Shareholders' Equity – Earnings per Share):

	Six Months Ended June 30,	
	2014	**2013**
Beginning balance	$ 3,328,791	$ 2,674,390
Net loss attributable to noncontrolling interest	(313,905)	(34,143)
Redemptions of noncontrolling partnership units	(14,570)	(33,100)
Adjustments to noncontrolling interest in operating partnership	(7,539)	(95)
Ending balance	$ 2,992,777	$ 2,607,052

Recent Accounting Pronouncements. Accounting Standards Update No. 2013-02; *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ("ASU 2013-02"). In February 2013, the FASB issued Accounting Standards Update ("ASU") No. 2013-02. The objective of this ASU is to improve the reporting of reclassifications of various components out of accumulated other comprehensive income and requires an entity to disaggregate the total change of each component of other comprehensive income either on the face of the income statement or as a separate disclosure in the accompanying notes to the financial statements. The guidance in ASU 2013-02 became effective for Roberts Realty beginning January 1, 2013. The implementation of this pronouncement did not have a material impact on Roberts Realty's consolidated financial statements.

4. REAL ESTATE ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

FASB ASC Topic 360-10, *Property, Plant and Equipment – Overall* requires a long-lived asset to be classified as "held for sale" in the period in which certain criteria are met. Roberts Realty classifies real estate assets and their related liabilities as held for sale after the following conditions have been satisfied: (1) the receipt of approval from its board of directors to sell the asset, (2) the initiation of an active program to sell the asset, and (3) the asset is available for immediate sale and it is probable that the sale of the asset will be completed within one year. When assets are classified as held for sale, they are recorded at the lower of the assets' carrying amount or fair value, less the estimated selling costs.

Roberts Realty periodically classifies real estate assets as held for sale, and these assets and their liabilities are stated separately on the accompanying condensed consolidated balance sheets. The real estate assets held for sale and the liabilities related to real estate assets held for sale as of June 30, 2014 and December 31, 2013 were as follows:

	Real Estate Assets Held for Sale			
Land Parcels	**6/30/14**		**12/31/13**	
North Springs Land	$	11,000,000	$	11,000,000
Commercial Site in Johns Creek[(1)]		500,000		500,000
Total Real Estate Assets Held for Sale	$	11,500,000	$	11,500,000

	Liabilities Related to Real Estate Assets Held for Sale			
	6/30/14		**12/31/13**	
North Springs Land Loan	$	5,500,000	$	5,500,000
Other Liabilities		76,328		61,579
Total Liabilities Related to Real Estate Assets Held for Sale	$	5,576,328	$	5,561,579

(1) Roberts Realty sold the Johns Creek commercial site for $700,000 on July 17, 2014. See Note 12 – Subsequent Events.

On February 7, 2013, Roberts Realty sold a 20.6-acre portion of the Peachtree Parkway land for $7,590,000 ($7,090,000 net of a $500,000 payment required to release a restrictive covenant on the property). See Note 8 – Related Party Transactions. Roberts Realty used $7,000,200 of the sale proceeds to repay the Peachtree Parkway loan. Roberts Realty recorded a $1,214,192 gain on this sale.

On March 20, 2013, Roberts Realty sold the remaining 1.5 acres of the Peachtree Parkway land for $450,000. Roberts Realty recorded a $39,741 gain on this sale.

Roberts Realty reports the results of operations and the gains or losses from operating properties that are disposed of in accordance with FASB ASC Topic 360-10, *Property, Plant and Equipment – Overall*. These assets and their liabilities are separately stated on the accompanying condensed consolidated balance sheets as assets or liabilities related to discontinued operations. Gains and losses, the results of operations, interest expense, and all expenses related to the retirement of debt from operating properties that are disposed of are included in discontinued operations in the period incurred and are shown separately in the condensed consolidated statements of operations as loss from discontinued operations.

The following table summarizes the discontinued operations for the three and six months ended June 30, 2014 and 2013 (unaudited):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
OPERATING REVENUES:				
Rental operations	$ —	$ 231,397	$ —	$ 488,606
Other operating income	—	40,633	—	76,257
Total operating revenues	—	272,030	—	564,863
OPERATING EXPENSES:				
Utilities	—	30,705	—	64,688
Repairs and maintenance	—	22,484	—	48,110
Real estate taxes	—	35,680	—	67,638
Marketing, insurance and other	—	10,957	—	24,031
General and administrative	—	15,204	—	22,427
Depreciation and amortization	—	33,638	—	95,149
Total operating expenses	—	148,668	—	322,043
OTHER INCOME (EXPENSE):				
Interest income	—	65	—	74
Interest expense	—	(195,180)	—	(384,665)
Amortization of deferred financing & leasing costs	—	(5,753)	—	(11,484)
Total other expense	—	(200,868)	—	(396,075)
LOSS FROM DISCONTINUED OPERATIONS	$ —	$ (77,506)	$ —	$ (153,255)

On November 5, 2013, Roberts Realty completed the transfer of the Bassett retail center to the lender in satisfaction of the $2,406,883 in debt secured by the property, which completed Roberts Realty's exit from the office and retail business. Roberts Realty recorded a $63,721 loss on the extinguishment of debt related to this transaction.

On October 30, 2013, Roberts Realty sold its Northridge Office Building for $5,280,000. At the closing, Roberts Realty paid off the $2,422,533 Northridge Office Building loan. Roberts Realty recorded a $1,764,676 gain on this sale.

On August 6, 2013, Roberts Realty completed the transfer of the Spectrum retail center to the lender, in satisfaction of the $4,691,528 in debt secured by the property. Roberts Realty recorded a $298,543 loss on the extinguishment of debt related to this transaction.

As a result of the dispositions of the Bassett and Spectrum retail centers and the sale of the Northridge Office Building, Roberts Realty has classified these operating properties as discontinued operations as outlined in the tables above.

5. NOTES PAYABLE

Land Loans The operating partnership is the borrower and Roberts Realty is the guarantor for the loans secured by Roberts Realty's land parcels. The outstanding principal balances of these loans at June 30, 2014 and December 31, 2013 were as follows (in order of maturity date):

Land Parcel Securing Loan	Maturity	Interest Rate as of 6/30/14	Principal Outstanding 6/30/14	Principal Outstanding 12/31/13
Highway 20[(1)]	10/08/14	5.00%	2,565,000	2,600,000
Bradley Park	4/1/15	4.75%	$ 3,000,000	$ 3,000,000

Total Land Loans			5,565,000	5,600,000
North Springs (2) (3)	10/17/14	13.00%	5,500,000	5,500,000
Total Land Loans for Real Estate Assets Held for Sale			5,500,000	5,500,000
Totals			$ 11,065,000	$ 11,100,000

(1) On July 17, 2014, the Highway 20 land loan was paid down by $690,364. See Note 12 – Subsequent Events.

(2) The North Springs land loan can be extended to January 17, 2015 through a 3-month extension option by paying a 1.0% extension fee. Upon the sale of the North Springs property, Roberts Realty will pay a 1% exit fee to the lender.

(3) The North Springs land loan is classified as liabilities related to real estate assets held for sale in the condensed consolidated balance sheets. See Note 4 – Real Estate Assets Held for Sale and Discontinued Operations.

Maturing Short-Term Debt. As of July 18, 2014, Roberts Realty has three loans with a total principal balance of $10,374,636 that mature within the next 12 months. For an explanation of management's plan to address Roberts Realty's maturing short-term debt, see Note 1 – Business and Organization – Management's Business Plan.

6. SHAREHOLDERS' EQUITY

Redemption of Units for Shares. During the three and six months ended June 30, 2014, 10,517 units were redeemed for 17,323 shares. During the three months ended June 30, 2013, 13,069 operating partnership units were redeemed for 21,525 shares, and during the six months ended June 30, 2013, 15,599 operating partnership units were redeemed for 25,692 shares. Each redemption was reflected in the accompanying condensed consolidated financial statements based on the closing price of Roberts Realty's shares on the date of redemption. See Note 3 – Basis of Presentation.

Treasury Stock. Roberts Realty did not repurchase any shares during the three and six months ended June 30, 2014 and 2013.

Restricted Stock. Shareholders of Roberts Realty approved and adopted the 2006 Roberts Realty Investors, Inc. Restricted Stock Plan (the "Plan") in August 2006. The Plan provides for the grant of stock awards to employees, directors, consultants, and advisors, including employees of Roberts Properties, Inc. and Roberts Properties Construction, Inc. ("Roberts Construction," and together with Roberts Properties, the "Roberts Companies"). Mr. Charles S. Roberts, the former President, Chief Executive Officer, and Chairman of the Board of Roberts Realty, owns all of the outstanding stock of the Roberts Companies. Under the Plan as amended, Roberts Realty may grant up to 654,000 shares of restricted common stock, subject to the anti-dilution provisions of the Plan. The maximum number of shares of restricted stock that may be granted to any one individual during the term of the Plan may not exceed 20% of the aggregate number of shares of restricted stock that may be issued. The Plan is administered by the compensation committee of Roberts Realty's board of directors.

FASB ASC Topic 718, *Compensation – Stock Compensation*, requires share-based compensation costs to be measured at the date of grant based on the fair value of the award and to be recognized in the accompanying condensed consolidated statements of operations as an expense on a straight line basis over the requisite service period, which is the vesting period.

There was no restricted stock activity during the three and six months ended June 30, 2014 and 2013. No unvested shares of restricted stock were outstanding at June 30, 2014 and December 31, 2013, respectively. Compensation expense related to restricted stock was $0 for the three and six months ended June 30, 2014; $1,677 for the three months ended June 30, 2013; and $18,630 for the six months ended June 30, 2013. No unrecognized compensation expense related to restricted stock will be recognized in future periods as of June 30, 2014 and December 31, 2013, respectively.

Earnings Per Share. The following table shows the reconciliations of loss available for common shareholders and the weighted average number of shares used in Roberts Realty's basic and diluted earnings per share computations. The effect of the operating partnership units and the related income are not included in the diluted earnings per share calculations because they are not dilutive. See Note 3 – Basis of Presentation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Loss from continuing operations available for common shareholders – basic	$ (644,879)	$ (500,633)	$ (1,265,093)	$ (58,170)
Loss from continuing operations attributable to noncontrolling interest	(159,410)	(90,503)	(313,905)	(10,572)
Loss from continuing operations – diluted	(804,289)	(591,136)	(1,578,998)	(68,742)
Loss from discontinued operations for common shareholders – basic	—	(65,640)	—	(129,684)
Loss from discontinued operations attributable to noncontrolling interest	—	(11,866)	—	(23,571)
Loss from discontinued operations – diluted	—	(77,506)	—	(153,255)
Net loss – diluted	$ (804,289)	$ (668,642)	$ (1,578,998)	$ (221,997)
Weighted average number of shares – basic and diluted	10,061,062	10,662,226	10,053,489	10,652,432
Weighted average number of units	2,486,658	1,926,961	2,494,231	1,936,755
Weighted average number of shares – assuming the conversion of all units to shares	12,547,720	12,589,187	12,547,720	12,589,187

7. SEGMENT REPORTING

FASB ASC Topic 280-10, *Segment Reporting – Overall*, established standards for reporting financial and descriptive information about operating segments in annual financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Roberts Realty's chief operating decision maker is Mr. Roberts, its President.

Roberts Realty develops, constructs, owns, and manages multifamily apartment communities and owns land. Although Roberts Realty previously owned and managed two retail centers and an office building, it completed its exit from the office and retail business in 2013. See Note 4 – Real Estate Assets Held for Sale and Discontinued Operations. Roberts Realty does not currently own any operating multifamily communities and did not own any operating multifamily communities in 2013. Roberts Realty had three reportable operating segments during 2013:

1. the retail/office segment, which consisted of two operating retail centers and an office building (see Note 4 – Real Estate Assets Held for Sale and Discontinued Operations);

2. the land segment, which consists of various tracts of land; and

3. the corporate segment, which consists primarily of operating cash, cash equivalents, and miscellaneous other assets.

The following tables summarize the operating results and total assets of Roberts Realty's reportable segments as of and for the three and six months ended June 30, 2014 and 2013. The retail/office segment was composed of the Bassett and Spectrum retail centers, along with the Northridge Office Building. See Note 4 – Real Estate Assets Held for Sale and Discontinued Operations for more detailed information. The land segment is composed of (a) three tracts of land totaling 71 acres that are in various phases of development and construction, and (b) two tracts of land held for sale totaling 11 acres. See Note 4 – Real Estate Assets Held for Sale and Discontinued Operations and Note 12 – Subsequent Events. The corporate segment consists primarily of cash and cash equivalents, miscellaneous other assets, and general and administrative expenses.

Three Months Ended June 30, 2014

	Retail/Office	Land	Corporate	Total
Rental operations	$ —	$ —	$ —	$ —
Other operating income	—	—	91	91
Total operating revenues from consolidated entities	—	—	91	91
Operating expenses	—	179,620	324,195	503,815
Depreciation expense	—	—	1,197	1,197
Total operating expenses from consolidated entities	—	179,620	325,392	505,012
Other (expense) income	—	(301,050)	1,682	(299,368)
Consolidated loss from continuing operations	—	(480,670)	(323,619)	(804,289)
Consolidated loss from discontinued operations (Note 4)	—	—	—	—
Consolidated net loss	—	(480,670)	(323,619)	(804,289)
Consolidated loss attributable to noncontrolling interest	—	(95,269)	(64,141)	(159,410)
Consolidated loss available for common shareholders	$ —	$ (385,401)	$ (259,478)	$ (644,879)
Total assets at June 30, 2014	$ 66,000	$ 24,345,742	$ 2,299,742	$ 26,711,484

Three Months Ended June 30, 2013

	Retail/Office	Land	Corporate	Total
Rental operations	$ —	$ —	$ —	$ —
Other operating income	—	—	6	6
Total operating revenues from consolidated entities	—	—	6	6
Operating expenses	—	83,636	354,228	437,864
Depreciation expense	—	—	177	177
Total operating expenses from consolidated entities	—	83,636	354,405	438,041
Other (expense) income	—	(153,212)	111	(153,101)
Consolidated loss from continuing operations	—	(236,848)	(354,288)	(591,136)
Consolidated loss from discontinued operations (Note 4)	(77,506)	—	—	(77,506)
Consolidated net loss	(77,506)	(236,848)	(354,288)	(668,642)
Consolidated loss attributable to noncontrolling interest	(11,866)	(36,262)	(54,241)	(102,369)
Consolidated loss available for common shareholders	$ (65,640)	$ (200,586)	$ (300,047)	$ (566,273)
Total assets at June 30, 2013	$ 11,276,478	$ 23,941,635	$ 147,120	$ 35,365,233

Six Months Ended June 30, 2014

	Retail/Office	Land	Corporate	Total
Rental operations	$ —	$ —	$ —	$ —
Other operating income	—	—	5,963	5,963
Total operating revenues from consolidated entities	—	—	5,963	5,963
Operating expenses	—	322,383	672,134	994,517
Depreciation expense	—	—	1,381	1,381
Total operating expenses from consolidated entities	—	322,383	673,515	995,898
Other (expense) income	—	(593,773)	4,710	(589,063)
Consolidated loss from continuing operations	—	(916,156)	(662,842)	(1,578,998)
Consolidated loss from discontinued operations (Note 4)	—	—	—	—
Consolidated net loss	—	(916,156)	(662,842)	(1,578,998)
Consolidated loss attributable to noncontrolling interest	—	(182,132)	(131,773)	(313,905)
Consolidated loss available for common shareholders	$ —	$ (734,024)	$ (531,069)	$ (1,265,093)
Total assets at June 30, 2014	$ 66,000	$ 24,345,742	$ 2,299,742	$ 26,711,484

Six Months Ended June 30, 2013

	Retail/Office	Land	Corporate	Total
Rental operations	$ —	$ 3,587	$ —	$ 3,587
Other operating income	—	—	19	19
Total operating revenues from consolidated entities	—	3,587	19	3,606
Operating expenses	—	172,184	790,196	962,380
Depreciation expense	—	—	269	269
Total operating expenses from consolidated entities	—	172,184	790,465	962,649
Other income	—	890,037	264	890,301
Consolidated income (loss) from continuing operations	—	721,440	(790,182)	(68,742)
Consolidated loss from discontinued operations (Note 4)	(153,255)	—	—	(153,255)
Consolidated net (loss) income	(153,255)	721,440	(790,182)	(221,997)
Consolidated (loss) income attributable to noncontrolling interest	(23,571)	110,958	(121,530)	(34,143)
Consolidated (loss) income available for common shareholders	$ (129,684)	$ 610,482	$ (668,652)	$ (187,854)

Total assets at June 30, 2013	$ 11,276,478	$ 23,941,635	$ 147,120	$ 35,365,233

8. RELATED PARTY TRANSACTIONS

Transactions with the Roberts Companies and Their Affiliates

Roberts Realty enters into contractual commitments in the normal course of business with the Roberts Companies. The contracts between Roberts Realty and the Roberts Companies relate to the development and construction of real estate assets, and from time to time, the acquisition or disposition of real estate. The board of directors has adopted a policy that all conflicting interest transactions must be authorized by a majority of the disinterested directors, but only if there are at least two directors who are disinterested with respect to the matter at issue. Under the charter for the audit committee of Roberts Realty's board of directors, related party transactions are also subject to review and oversight by the audit committee.

Roberts Realty, its predecessor limited partnerships, and other limited partnerships sponsored by Mr. Charles S. Roberts have previously entered into agreements with Roberts Properties and Roberts Construction to provide these same services for 20 apartment communities with a total of 4,648 units that were sold for a total sales price of $431,701,143. All of these communities were sold for a substantial profit.

Design and Development Agreements with Roberts Properties. Roberts Properties provides various development services that include market studies; business plans; assistance with permitting, land use and zoning issues, easements, and utility issues; as well as exterior design, finish selection, and interior design. Roberts Realty has entered into a design and development agreement with Roberts Properties for the project listed in the following table.

	Total Contract Amount	Amounts Incurred from 1/1/13 to 6/30/13	Amounts Incurred from 1/1/14 to 6/30/14	Remaining Contractual Commitment
Highway 20	$ 1,050,000	$ 0	$ 87,500	$ 302,500

Construction Contracts with Roberts Construction. Roberts Realty has entered into cost plus contracts with Roberts Construction for the Bradley Park, Northridge, North Springs, and Highway 20 properties. Under these contracts, Roberts Realty will pay Roberts Construction the cost of constructing the project plus 5% for overhead and 5% for profit. Progress payments are paid monthly to Roberts Construction based on the work that has been completed. No amounts were incurred on these contracts during the six months ended June 30, 2014. The following table lists the amounts incurred on these contracts during the six months ended June 30, 2013.

	Amounts Incurred for Labor and Materials Costs from 1/1/13 to 6/30/13	Amounts Incurred for 5% Profit and 5% Overhead from 1/1/13 to 6/30/13
Bradley Park	$ 0	$ 0
Northridge	999	100
North Springs	0	0
Highway 20	0	0
Totals	$ 999	$ 100

Other Payments. At the request of Roberts Realty, Roberts Construction performed repairs and maintenance on the land parcels, the retail centers, and the office building, as well as tenant improvements for new leases at the retail centers. See Note 4 – Real Estate Assets Held for Sale and Discontinued Operations. For the six months ended June 30, 2014 and 2013, Roberts Realty paid $139,525 and $84,800 in cost reimbursements to Roberts Construction for these services.

Roberts Realty entered into a reimbursement arrangement for services provided by Roberts Properties, effective February 4, 2008, as amended January 1, 2014. Under the terms of this arrangement, Roberts Realty reimburses Roberts Properties the cost of providing consulting services in an amount equal to an agreed-upon hourly billing rate for each employee multiplied by the number of hours that the employee provided services to Roberts Realty. Roberts Realty believes that this reimbursement arrangement allows Roberts Realty to obtain services from experienced and knowledgeable personnel without having to bear the cost of employing them on a full-time basis. Under this arrangement, Roberts Realty incurred costs of $282,176 and $107,117 for the six months ended June 30, 2014 and 2013, respectively. The increase in 2014 was partially due to Roberts Properties providing additional services that replaced the services of a full-time temporary contractor that Roberts Realty had retained for 2013, which resulted in a net savings to Roberts Realty. Additionally, Roberts Properties received cost reimbursements of $23,505 and $5,643 for the six months ended June 30, 2014 and 2013, respectively for operating costs and other expenses of Roberts Realty.

Office Leases. During the six months ended June 30, 2014, Roberts Realty did not lease any office space to the Roberts Companies and, accordingly, recognized no rental income. On October 30, 2013, Roberts Realty sold its Northridge Office Building to the Fulton County Board of Education, an unrelated third party, for $5,280,000. Prior to the sale, Roberts Realty leased office space in the Northridge Office Building to the Roberts Companies. During 2013, Roberts Properties leased 4,431 rentable square feet and Roberts Construction leased 1,920 rentable square feet. Both leases had a rental rate of $17.00 per rentable square foot. Roberts Realty recognized total rental income from Roberts Properties and Roberts Construction of $53,984 for the six months ended June 30, 2013.

Sublease of Office Space. On October 30, 2013, Roberts Realty sold its Northridge Office Building to the Fulton County Board of Education for $5,280,000 and paid off its $2,422,533 Northridge Office Building loan. This sale also reduced Roberts Realty's negative operating cash flow by approximately $210,000 per year. The Fulton County Board of Education will occupy 100% of the building and as a condition of closing, required that Roberts Realty vacate the building by February 28, 2014, which was later extended to April 5, 2014. Consequently, Roberts Realty was required to seek new office space in another building. On February 19, 2014, Roberts Realty entered into a sublease for 1,817 square feet of office space with Roberts Capital Partners, LLC. The sublease had a commencement date of April 7, 2014. Roberts Capital Partners, LLC is owned by Mr. Charles S. Roberts, Roberts Realty's Chairman of the Board, Chief Executive Officer, and President. The rental rates and lease term are the same rental rates and lease term that Roberts Capital Partners, LLC has with KBS SOR Northridge LLC, the unrelated third party owner of the building. Roberts Capital Partners, LLC is liable to the building owner for the full three-year term of its lease; however, Roberts Realty negotiated a 90-day right to terminate its sublease as described below. The sublease has a three-year term, with a one-year option, which provides for rental rates of $16.50 per square foot in Year 1, $17.25 per square foot in Year 2, $18.00 per square foot in Year 3, and $18.75 per square foot for the Year 4 option. Roberts Realty has the right to terminate the sublease upon 90 days notice by paying (a) a minimum of 12 months of rent under the sublease, plus (b) an early termination amount, which will be the lesser of (x) the next 12 months of rent due under the sublease or (y) the remaining amounts due under the term of the sublease, as calculated on the early termination date. Roberts Realty believes the favorable terms of its sublease provides it with significant flexibility in successfully implementing its business plan. Roberts Realty paid a security deposit of $20,577 upon the execution of the lease and has paid $9,494 in rent during the six months ended June 30, 2014.

Release of Restrictive Covenant on Peachtree Parkway Property. On February 7, 2013, Roberts Realty sold 20.6 acres of the Peachtree Parkway property to Lennar Multifamily Investors, LLC ("Lennar"), an unrelated third party, for $7,590,000. When Roberts Realty purchased the Peachtree Parkway property in December 2004, it assumed and became bound by a pre-existing restrictive covenant on the property that was already recorded in the Gwinnett County, Georgia real estate records (the "Restrictive Covenant") in favor of Roberts Construction. The Restrictive Covenant provided that if the owner of the Peachtree Parkway property developed it for residential use, Roberts Construction would be engaged as the general contractor for the project on a cost plus basis and would be paid the cost of constructing the project plus 5% overhead and 5% profit. Lennar informed Roberts Realty that it would not use Roberts Construction as the general contractor. The sales contract stated that Lennar would not enter into the sales contract unless the Restrictive Covenant was terminated no later than the closing date at no cost to Lennar. After being advised by Lennar of this requirement, the audit committee of Roberts Realty's board of directors negotiated with Roberts Construction for the release of the Restrictive Covenant. Roberts Construction agreed in the sales contract to give up its contractual rights to be the general contractor for the project and to release the Restrictive Covenant on the closing date for a payment of $500,000 from the purchase price to be paid by Lennar. On February 7, 2013, the closing occurred and Roberts Construction received the payment for releasing the Restrictive Covenant. Roberts Realty used the remaining $7,000,200 of the sale proceeds to repay the Peachtree Parkway loan and recorded a $1,214,192 gain on the sale.

9. IMPAIRMENT LOSS ON REAL ESTATE ASSETS

Roberts Realty periodically evaluates its real estate assets, on a property-by-property basis, for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable in accordance with FASB ASC Topic 360-10, *Property*, *Plant, and Equipment – Overall*.

FASB ASC Topic 360-10 requires impairment losses to be recorded on long-lived assets used in operations and land parcels when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The expected future cash flows depend on estimates made by management, including (1) changes in the national, regional, and/or local economic climates, (2) rental rates, (3) competition, (4) operating costs, (5) occupancy, (6) holding period, and (7) an estimated construction budget. A change in the assumptions used to determine future economic events could result in an adverse change in the value of a property and cause an impairment to be recorded in the future. Due to uncertainties in the estimation process, actual results could differ materially from those estimates. Roberts Realty's determination of fair value is based on a discounted future cash flow analysis, which incorporates available market information as well as other assumptions made by Roberts Realty's management, evaluation of appraisals, and other applicable valuation techniques. Because the factors Roberts Realty's management uses in generating these cash flows are difficult to predict and are subject to future events that may alter its assumptions, Roberts Realty may not achieve the discounted or undiscounted future operating and residual cash flows it estimates in its impairment analyses or those established by appraisals, and Roberts Realty may be required to recognize future impairment losses on its properties held for use.

Non-Cash Impairments on Operating Real Estate Assets. Roberts Realty had no operating assets during the 2014 period. As of June 30, 2013, Roberts Realty determined that the carrying amounts of its operating real estate assets were recoverable and, accordingly, did not record an impairment loss on its operating assets during the period. See Note 4 – Real Estate Assets Held for Sale and Discontinued Operations.

Non-Cash Impairments on Land Parcels. As of June 30, 2014 and 2013, Roberts Realty determined that the carrying amount of its land parcels was recoverable. Accordingly, Roberts Realty did not record an impairment loss on its land parcels during either of these periods.

10. FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurement and Disclosures*, defines fair value and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset. FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels:

? Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;

? Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and

? Level 3 – unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, Roberts Realty uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Considerable judgment is necessary to interpret Level 2 and 3 inputs in determining fair value of financial and non-financial assets and liabilities. Accordingly, the fair values presented in the financial statements may not reflect the amounts ultimately realized on a sale or other disposition of these assets. Roberts Realty held no assets required to be measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013.

Assets measured at fair value on a nonrecurring basis consist of real estate assets that have incurred non-cash impairment losses so that their carrying value is equal to or less than their estimated fair value. These real estate assets, including land held for sale, are valued using sales activity for similar assets, current offers and contracts, and using inputs management believes are consistent with those that unrelated market participants would use. The fair values of these assets are determined using widely accepted valuation techniques, including (1) discounted cash flow analysis, which considers, among other things, sales assumptions, cost structure and discount rates, and (2) comparable sales activity. The valuation technique and related inputs vary with the specific facts and circumstances of each real estate asset. Roberts Realty held no assets required to be measured at fair value on a nonrecurring basis as of June 30, 2014 and December 31, 2013.

11. COMMITMENTS AND CONTINGENCIES

Roberts Realty has entered into various contracts for the development and construction of its real estate assets. The contracts with Roberts Properties and Roberts Construction are described in Note 8 – Related Party Transactions. The construction contracts require Roberts Realty to pay Roberts Construction the labor and materials costs of the project plus 5% overhead and 5% profit.

Roberts Realty has also entered into architectural and engineering contracts with unrelated third parties for the Bradley Park and Northridge apartment communities. At June 30, 2014, outstanding commitments on these contracts totaled $334,818.

Roberts Realty and the operating partnership are subject to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of these matters cannot be predicted with certainty, management believes that the final outcome of these matters will not have a material adverse effect on Roberts Realty's financial position, results of operations or cash flows.

As a result of the mergers of various predecessor limited partnerships into the operating partnership, the former partners of those predecessor limited partnerships received operating partnership units. Holders of units have the right to require the operating partnership to redeem their units for shares, subject to certain conditions. Upon submittal of units for redemption, the operating partnership will have the option either (a) to pay cash for those units at their fair market value, which will be based upon the then current trading price of the shares, or (b) to acquire those units in exchange for shares (on a 1.647-for-one basis). Roberts Realty has adopted a policy that it will issue shares in exchange for all future units submitted for redemption. At June 30, 2014, there were 1,508,519 units outstanding that could be exchanged for 2,484,565 shares, subject to certain conditions.

Under Roberts Realty's bylaws, it is obligated to indemnify its officers and directors for certain events or occurrences arising as a result of its officers and directors serving in these capacities. The maximum potential amount of future payments Roberts Realty could be required to make under this indemnification arrangement is unlimited. Roberts Realty currently has a directors and officers liability insurance policy that may limit its exposure and enable it to recover a portion of any future amounts paid. Because of the insurance policy coverage, Roberts Realty believes the estimated fair value of this indemnification arrangement is minimal, and accordingly, Roberts Realty has recorded no liabilities for this indemnification arrangement as of June 30, 2014.

Under various federal, state, and local environmental laws and regulations, Roberts Realty may be required to investigate and clean up the effects of hazardous or toxic substances at its properties, including properties that have previously been sold. The preliminary environmental assessments of Roberts Realty's current properties have not revealed any environmental liability that Roberts Realty believes would have a material adverse effect on its business, assets, or results of operations, nor is Roberts Realty aware of any such environmental liability.

12. SUBSEQUENT EVENTS

Johns Creek Property Sale. On July 17, 2014, Roberts Realty sold the Johns Creek commercial site (which had a book value of $500,000) for $700,000 and its expects to recognize a gain on the sale of the property of approximately $195,099 in 2014. Net sale proceeds of $690,364, were used by Roberts Realty to pay down the Highway 20 land loan, reducing the outstanding loan balance to $1,874,636.

North Springs Loan Extension. On August 18, 2014, Roberts Realty once again extended the $5.5 million North Springs land loan in accordance with the terms of the July 18, 2013 loan documents. This renewal extended the maturity date of the loan to January 17, 2015 and continued to require monthly interest only payments at an interest rate of 13% per annum. Roberts Realty paid a 1% extension fee and increased the interest reserve by $178,750 to fund the monthly interest only payments. Roberts Realty is required to pay a 1% repayment fee upon the sale of the property or the repayment of the loan.

Highway 20 Land Loan Extension. On September 30, 2014, Roberts Realty renewed the $1,864,636 Highway 20 land loan and extended the maturity date to February 15, 2015. In connection with the extension, Roberts Realty made a $64,636 principal payment, reducing the outstanding principal balance to $1.8 million. Roberts Realty also deposited $22,100 to an interest reserve account to pay monthly interest only payments at the prime rate plus 1.75%, with an interest rate floor of 5% per annum and also paid a 2% extension fee. This loan requires fixed principal payments of $10,000 per month over the extension term.

Bradley Park Land Loan Extension. On December 22, 2014, Roberts Realty extended and renewed its $2,988,625 Bradley Park land loan, which extended the maturity date of the loan to July 3, 2015. The renewed loan requires monthly interest only payments at an interest rate equal to 350 basis points over the 30-day LIBOR rate, with an interest rate floor of 4.75%. At the closing of the A-III transaction described below, $759,446 of the investment proceeds were used to make a partial principal payment on the Bradley Park land loan.

NYSE MKT Notice of Noncompliance. On November 20, 2014, Robert Realty received a notice of noncompliance from the NYSE MKT stock exchange (the "Exchange"). The notice of noncompliance states that the Exchange has determined that Roberts Realty was not in compliance with Section 134 and 1101 of the Exchange's Company Guide due to Roberts Realty's failure to timely file its quarterly report on Form 10-Q for the quarter ended Sept. 30, 2014. On December 31, 2014, Roberts Realty received a letter from the Exchange accepting its listing compliance plan. Under the plan, Roberts Realty has until February 18, 2015 to regain compliance with the continued listing standards of the Exchange.

Northridge Land Loan. On January 13, 2015, Roberts Realty obtained a $2,000,000 loan from Paul J. A. Lex van Hessen, the lender. The proceeds of the loan were used for working capital purposes prior to the closing of the stock purchase agreement discussed below. The $2,000,000 loan has a maturity date of July 13, 2015, and at its closing Roberts Realty paid a 1.0% origination fee to the lender and a 1.0% consulting fee to the lender's consultant. The loan has an interest rate of 12% per annum. Roberts Realty prepaid the first three months of interest in the amount of $60,833 at the closing. The loan is secured by the Northridge property, which was owned debt free before this loan closing. The loan documents contain customary representations, covenants, and default provisions, and the loan was guaranteed by both Roberts Realty and the operating partnership. Upon repayment of the loan, Roberts Realty will pay the lender a 2% repayment fee. Additionally, at the A-III transaction closing described below, $2,040,000 of the investment proceeds were deposited into an escrow account, which is anticipated to be used to repay the Northridge Land Loan on March 13, 2015, based on the terms of the escrow agreement with the lender.

North Springs Land Loan Extension. On January 15, 2015, Roberts Realty extended and paid down the $5,500,000 North Springs land loan by $550,000, which reduced the outstanding principal balance of the loan to $4,950,000. The maturity date was extended to April 17, 2015 and continues to require monthly interest only payments at an interest rate of 13% per annum. At the closing of the A-III transaction described below, $4,877,263 of the investment proceeds were used to repay the North Springs land loan in full.

Bradley Park Land Parcel Sales Contract. On January 26, 2015, Roberts Realty entered into a contract to sell its Bradley Park land parcel for $4,178,000 to Bradley Park Apartments, LLC ("Purchaser"), which is an affiliate of Mr. Charles Roberts, President, Chief Executive Officer, and Chairman of the Board of Roberts Realty on the date the contact was executed. Under the terms of the sales contract, the purchaser paid a $10,000 earnest money deposit. The purchaser has 60 days to inspect the property and elect to proceed with the purchase, at which time the purchaser must pay an additional $15,000 earnest money deposit. Roberts Realty's audit committee approved the transaction in accordance with the committee's charter and in compliance with applicable listing rules of the NYSE MKT stock exchange. Roberts Realty's board of directors also approved the transaction in accordance with its Code of Business Conduct and Ethics.

A-III Investment Partners LLC Transaction. On November 19, 2014, Roberts Realty and its operating partnership entered into a Stock Purchase Agreement with A-III Investment Partners LLC ("A-III"). On January 30, 2015, the Company and A-III closed the transactions contemplated under the Stock Purchase Agreement. At the closing, A-III purchased 8,450,704 shares of the Company's common stock at a purchase price of $1.42 per share, for an aggregate purchase price of $12 million, and the Company issued to A-III warrants to purchase up to an additional 26,760,563 shares of the Company's common stock at an exercise price of $1.42 per share ($38 million in the aggregate). The purchase price per share and the exercise price of the warrants are subject to a potential post-closing adjustment upon completion of the sale of the Company's four existing land parcels, which could result in the issuance of additional shares of common stock to A-III and an increase in the number of shares of common stock issuable upon exercise of the warrants.

After the closing, Robert Realty amended its articles of incorporation to change its name to ACRE Realty Investors Inc. At the closing, the company and Mr. Roberts entered into an employment agreement pursuant to which Mr. Roberts will serve as an Executive Vice President of the Company for a term of one year from the date of the agreement, or until the sale of all four land parcels is completed, if earlier.

The company used a portion of the proceeds of A-III's investment to pay off mortgage debt outstanding on three of the Company's remaining properties as follows:

Mortgage:	**Amount**	
North Springs	$ 4,877,263	(paid in full)
Highway 20	1,764,058	(paid in full)
Bradley Park	759,446	(partial payment)

Additionally, at closing $2,040,000 was deposited into an escrow account, which is anticipated to be used to repay the Northridge Land Loan on March 13, 2015, based on the terms of the escrow agreement with the lender.

The A-III transaction may have caused the Company to experience an ownership change under Section 382 of the Internal Revenue Code. As a result, the Company's ability to use its net operating loss carry forwards to offset future taxable income may be severely limited.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995. *The statements in this report that are not historical facts are forward-looking statements that involve a number of known and unknown risks, uncertainties, and other factors, all of which are difficult or impossible to predict and many of which are beyond our control, that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by those forward-looking statements. These risks are detailed in (a) Part I, Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2013; (b) Part II, Item 1A, Risk Factors, in this report; and (c) our other SEC filings. Please also see the cautionary statements included in the Note Regarding Forward-Looking Statements at the beginning of this report.*

Overview

We are a real estate development, investment, and operating company. Our primary business is to develop, construct, own, and manage multifamily apartment communities. The operating partnership, either directly or through its wholly owned subsidiary, owns all of our properties. At June 30, 2014, we were its sole general partner and owned an 80.20% interest in the operating partnership. We expect to continue to conduct our business in this organizational structure. As of the filing date of this report, we own the following real estate assets, all of which are located in the north Atlanta metropolitan area:

? three tracts of land totaling 71 acres, zoned for 584 multifamily apartment units, that are in various phases of development and construction; and

? one tract of land totaling 10 acres that is held for sale (this asset is classified as real estate assets held for sale in our condensed consolidated balance sheets – see Recent Developments below).

We intend to focus exclusively on developing, constructing, and managing high quality multifamily apartment communities for cash flow and long-term capital appreciation. As part of our future business and growth plan, we expect to acquire existing multifamily apartment communities and to concentrate our acquisitions on well-located Class B apartment communities in the southeastern United States that can be upgraded and repositioned in their respective markets.

Recent Developments

Sale of the 1.3-acre Johns Creek Commercial Site

On July 17, 2014, we sold our 1.3-acre Johns Creek commercial site for $700,000, and its book value was $500,000. We used the net sale proceeds of $690,364 to pay down our $2,565,000 Highway 20 land loan, which reduced the outstanding principal balance of the loan to $1,874,636. We expect to recognize a gain on the sale of approximately $195,100.

Land Disturbance Permit for Bradley Park

On April 15, 2014, we obtained the Land Disturbance Permit for our Bradley Park property. The Land Disturbance Permit is a critical and essential entitlement for the property. The issuance of a Land Disturbance Permit is a significant milestone because it provides us with the necessary approvals of our site plan, traffic controls, water quality and water detention facilities, the clearing and grading of the property, the installation of the underground water and sewer lines, along with all other site and infrastructure work. Bradley Park is a 22-acre site near the GA-400 and Highway 20 interchange, zoned for 154 multifamily apartment units. The property is in Forsyth County, Georgia, which is ranked as America's 7th fastest growing county by Forbes magazine. Bradley Park is located in close proximity to the Northside Hospital - Forsyth complex, which employs more than 2,200 physicians and 1,800 employees. During the past year, we have designed the Bradley Park apartments and successfully completed the sketch plat review process required by Forsyth County. The new sketch plat was approved at a public hearing by the Forsyth County Board of Commissioners on November 7, 2013. In addition to our Land Disturbance Permit, we have also received approval from the U.S. Army Corps of Engineers for our Creek Crossing Permit. We are currently completing the final architectural design drawings in order to apply for our building permits. We are preparing to raise the equity and obtain the construction loans necessary to construct the Bradley Park apartment community. We recently received written term sheets from two local banks outlining their loan terms and expressing their interest in providing the construction loan for the Bradley Park apartment community.

Listing Agreement for the North Springs Property

On April 17, 2014, we retained Jones Lang LaSalle, a global full service real estate firm, to market and sell our North Springs transit-oriented, mixed-use property. The North Springs property is a 10-acre site located on Peachtree Dunwoody Road across the street from the North Springs rail station in Sandy Springs. The Perimeter Center/Sandy Springs market is one of the most dynamic markets in the southeastern United States. Perimeter Center is Atlanta's largest employment center outside of downtown Atlanta and includes approximately 33 million square feet of office and retail space. The area currently has over 123,000 jobs with major employers such as UPS, AT&T Mobility, State Farm, Cox Enterprises, Newell Rubbermaid, Axiall, InterContinental Hotels Group, First Data, AFC Enterprises and Arby's Restaurant Group, Inc., all of which have a headquarters located in this area. Just south of the Perimeter Center/Sandy Springs business district is a major medical center anchored by Northside Hospital, Emory Saint Joseph's Hospital, and Children's Healthcare of Atlanta – Scottish Rite. The North Springs property is zoned for a mixed-use development consisting of 236 multifamily units, 120 condominiums, 210,000 square feet of office space, and 56,000 square feet of retail space. We believe the current market and demand for a transit-oriented, mixed-use site like North Springs provides with us an excellent opportunity to sell this asset. At the closing of the sale of the North Springs property, Jones Lang LaSalle would be paid a commission of 3% of the sales price of the North Springs property.

Extension and Renewal of Bradley Park Land Loan

On April 3, 2014, effective as of April 1, 2014, we executed and delivered the Second Loan Modification Agreement to renew our $3,000,000 Bradley Park land loan, which extended the maturity date of the loan to April 1, 2015. The renewed loan requires monthly interest only payments at an interest rate equal to 350 basis points over the 30-day LIBOR rate, with an interest rate floor of 4.75%.

Continuing Negative Operating Cash Flow and Maturing Short-Term Debt

Our primary liquidity requirements relate to (a) our continuing negative operating cash flow and (b) our maturing short-term debt. The primary reason for our negative operating cash flow is that we have four tracts of land totaling 81 acres that do not produce revenue but incur carrying costs of interest expense and real estate taxes. These four tracts of land have a combined book value of $23,776,407 and a total independent appraised value of $32,890,000, and as of the filing date of this report they are encumbered with land loans totaling $10,374,636. We have substantial equity in these properties, which are an integral part of our future business and growth plan. Because we have disposed of all of our operating properties, we expect to continue to generate negative operating cash flow and to operate at a loss until:

? we complete the sale or joint venture of our North Springs transit-oriented, mixed use property; and

? we raise the equity and obtain the construction loans needed to construct and lease up our planned Bradley Park, Northridge, and Highway 20 multifamily apartment communities as described in Liquidity and Capital Resources – Business Plan below.

As of June 30, 2014, we had a total of $11,065,000 of outstanding debt. On July 17, 2014, we made a $690,364 principal payment on our Highway 20 loan from the net sale proceeds of our Johns Creek commercial site. As of the filing date of this report, we have three loans with a total principal balance of $10,374,636 that are scheduled to mature within the next 12 months: (a) the $1,874,636 Highway 20 land loan that matures on October 8, 2014; (b) the $5,500,000 North Springs land loan that matures on October 17, 2014 (which we can extend to January 17, 2015 through a 3-month extension option by paying a 1.0% extension fee); and (c) the $3,000,000 Bradley Park land loan that matures on April 1, 2015.

To address these issues, during the past year we have reduced our debt by a net amount of approximately $14.1 million or 58%, decreased our annual operating expenses by $860,000, and increased our liquidity by $5.6 million. Additionally, we are seeking to sell our North Springs transit-oriented, mixed use property, which has a book value of $11,000,000 and an independent appraised value of $16,350,000. We intend to pay off the $5,500,000 North Springs land loan from the sales proceeds, and we could use the remaining proceeds for investment in the development and construction of the Bradley Park, Northridge, and Highway 20 multifamily apartment communities.

If we do not sell the North Springs property as we intend or we are unable to extend, refinance, or find alternative funding to repay the North Springs, Bradley Park, and Highway 20 loans at they mature, we might be compelled to dispose of one or more of our properties on disadvantageous terms or we might be forced to return these properties to the respective lenders in satisfaction of the debt secured by these properties, which could result in significant losses to us.

Results of Operations

Comparison of Three Months Ended June 30, 2014 to Three Months Ended June 30, 2013

The following table highlights our operating results for the periods presented and should be read along with the condensed consolidated financial statements and the accompanying notes included in this report.

	Three Months Ended June 30, 2014 (Unaudited)	Three Months Ended June 30, 2013 (Unaudited)	$Increase (Decrease)
TOTAL OPERATING REVENUES	$ 91	$ 6	$ 85
OPERATING EXPENSES:			
Property operating expenses	32,453	77,616	(45,163)
General and administrative expenses	471,362	360,248	111,114
Depreciation expense	1,197	177	1,020
Total operating expenses	505,012	438,041	66,971
OTHER EXPENSE	(299,368)	(153,101)	146,267
LOSS FROM CONTINUING OPERATIONS	(804,289)	(591,136)	213,153
LOSS FROM DISCONTINUED OPERATIONS	—	(77,506)	(77,506)
NET LOSS	$ (804,289)	$ (668,642)	$ 135,647

Net loss increased $135,647 when compared to the 2013 period. This increase was primarily the result of a $66,971 increase in operating expenses, and a $146,267 increase in other expense, offset by a $77,506 decrease in loss from discontinued operations. We explain below the major variances between the 2014 and 2013 periods.

Property operating expenses – consisting of utilities, repairs and maintenance, real estate taxes, and marketing and insurance expense – decreased by $45,163 from $77,616 in the 2013 period to $32,453 in the current period, primarily due to decreased repairs and maintenance expenses related to our land parcels.

General and administrative expenses increased by $111,114 from $360,248 in the 2013 period to $471,362 in the current period. This increase was primarily due to an increase in professional services expense related to our land parcels, which was partially offset by a decrease in legal and temporary personnel expenses.

Other expense increased $146,267 from $153,101 in the 2013 period to $299,368 in the current period. This increase was primarily due to an $119,827 increase in interest expense and a $28,011 increase in the amortization of deferred financing costs as a result of the North Springs loan.

Comparison of Six Months Ended June 30, 2014 to Six Months Ended June 30, 2013

The following table highlights our operating results for the periods presented and should be read along with the condensed consolidated financial statements and the accompanying notes included in this report.

	Six Months Ended June 30,		$(Decrease) Increase
	2014 (Unaudited)	2013 (Unaudited)	
TOTAL OPERATING REVENUES	$ 5,963	$ 3,606	$ 2,357
OPERATING EXPENSES:			
Property operating expenses	57,331	159,711	(102,380)
General and administrative expenses	937,186	802,669	134,517
Depreciation expense	1,381	269	1,112
Total operating expenses	995,898	962,649	33,249
OTHER (EXPENSE) INCOME	(589,063)	890,301	1,479,364
LOSS FROM CONTINUING OPERATIONS	(1,578,998)	(68,742)	1,510,256
LOSS FROM DISCONTINUED OPERATIONS	—	(153,255)	(153,255)
NET LOSS	$ (1,578,998)	$ (221,997)	$ 1,357,001

Net loss increased $1,357,001 when compared to the 2013 period. This increase was primarily due to a $2,357 increase in operating revenues and a $153,255 decrease in loss from discontinued operations, offset by a $33,249 increase in operating expenses and a $1,479,364 increase in other expense. We explain below the major variances between the 2014 and 2013 periods.

Property operating expenses – consisting of utilities, repairs and maintenance, real estate taxes, and marketing and insurance expense – decreased by $102,380 from $159,711 in the 2013 period to $57,331 in the current period, primarily due to decreased repairs and maintenance expenses related to our land parcels.

General and administrative expenses increased by $134,517 from $802,669 in the 2013 period to $937,186 in the current period, primarily due to an increase in professional services expense related to our land parcels, which was partially offset by a decrease in legal and temporary personnel expenses.

Other expense increased $1,479,364 when compared to the 2013 period, primarily as a result of the $1,253,933 gain in the 2013 period from the sale of the Peachtree Parkway property compared to no income from the sale of real estate assets in the 2014 period, coupled with a $194,769 increase in interest expense and a $35,108 increase in the amortization of deferred financing costs in the 2014 period as a result of the North Springs loan.

Loss from discontinued operations decreased by $153,255 when compared to the 2013 period as a result of the dispositions of the Bassett and Spectrum retail centers and the sale of the Northridge Office Building, all of which occurred during 2013.

Liquidity and Capital Resources

Overview

At June 30, 2014, we had $26,711,484 in total assets, of which $1,909,371 was cash and cash equivalents. In addition, we held $330,170 in restricted cash reserved for the payment of interest on our North Springs and Highway 20 loans. As of July 18, 2014, we held $1,795,351 in cash and cash equivalents, and we held $259,880 in restricted cash reserved for the payment of interest on our North Springs and Highway 20 loans.

We believe that the most important uses of our capital resources will be (a) to provide working capital to enable us to pay our operating expenses as we pursue our business and growth plan and (b) to invest in the development and construction of the Bradley Park, Northridge, and Highway 20 multifamily apartment communities, although we cannot make substantial progress on constructing and leasing up these apartment communities until we raise the necessary equity and obtain the construction loans. We currently estimate that we will need approximately

$17,325,000 of additional equity and $53,129,000 of debt to complete the construction of these multifamily apartment communities, and our current cash resources are inadequate to meet these needs. We have described our detailed plans to address these needs in Liquidity and Capital Resources – Business Plan below.

Our primary liquidity requirements relate to our continuing negative operating cash flow and our maturing short-term debt. As of June 30, 2014, we had a total of $11,065,000 of outstanding debt. On July 17, 2014, we made a $690,364 principal payment on our Highway 20 loan from the net sale proceeds of our Johns Creek commercial site. As of the filing date of this report, we have three loans with a total principal balance of $10,374,636 that are scheduled to mature within the next 12 months, as listed in the following table in their order of maturity:

Property Securing Loan	**Maturity Date**		**Principal Payments Due Within 12 Months**
Highway 20	10/08/14	$	1,874,636
North Springs (1)	10/17/14		5,500,000
Bradley Park	4/1/15		3,000,000
Total		$	10,374,636

(1) We can extend this loan to January 17, 2015 through a 3-month extension option by paying a 1.0% extension fee.

We are currently generating negative operating cash flow, and we expect to continue to generate negative operating cash flow until we complete the sale or joint venture of our North Springs transit-oriented, mixed use property and raise the equity and obtain the construction loans needed to construct and lease up our planned Bradley Park, Northridge, and Highway 20 multifamily apartment communities as described in Liquidity and Capital Resources – Business Plan below.

The two primary reasons for our negative operating cash flow are as follows:

? We own four tracts of land totaling 81 acres with an aggregate book value of $23,776,407 that secure land loans totaling $10,374,636. Because land does not generate revenue, a substantial portion of our negative cash flow is a result of the carrying costs (interest expense and real estate taxes) on our land.

? Our general and administrative expenses were $1,801,887 for the calendar year 2013 and $937,186 for the six months ended June 30, 2014; these expenses include the costs of being an SEC reporting company and having our shares listed on the NYSE MKT stock exchange. These costs also include accounting and related fees to our independent auditors as well as to another accounting firm required for our compliance with Section 404(a) of the Sarbanes-Oxley Act, legal fees, financial printing and other compliance fees, director compensation, and directors and officers insurance premiums. We estimate that these additional costs related to being a public reporting company are approximately $550,000 per year.

Short- and Long-Term Liquidity Outlook

Our operating revenues are not adequate to provide short-term (12 months) liquidity for the payment of all operating expenses, interest, and scheduled amortization of principal on our debt. At June 30, 2014, we had a cash balance of $1,909,371. We are currently using our cash balance, which was $1,795,351 as of July 18, 2014, to meet our short-term liquidity requirements, including general and administrative expenses, principal reductions on our debt, and funding carrying costs and improvements at our existing properties. We have the ability to defer property development costs, if necessary, in order to meet our short-term liquidity requirements. With respect to the $10,374,636 in debt that matures in the next 12 months, we intend to extend, repay or refinance these loans as they mature. We expect to meet our long-term liquidity requirements, including future debt maturities and construction and development costs, from the proceeds of construction and permanent loans, the sale of properties, and/or the equity we may raise in a private offering, or from joint ventures. See Liquidity and Capital Resources – Business Plan below.

Business Plan

Overview and Outlook

We intend to maximize shareholder value and to address our needs for liquidity and capital resources by executing our business and growth plan. Our primary objectives for the remainder of 2014 are to sell the North Springs transit-oriented property and to continue to develop the Bradley Park, Northridge, and Highway 20 properties while continuing to reduce the company's debt and decrease its negative operating cash flow. Our plans to accomplish these objectives are outlined below.

Real Estate Assets Held for Sale or Possible Joint Venture

We currently hold one land parcel for sale. The North Springs property is a 10-acre site located on Peachtree Dunwoody Road across the street from the North Springs rail station in Sandy Springs. The North Springs property is zoned for a mixed-use development consisting of 236 multifamily units, 120 condominiums, 210,000 square feet of office space, and 56,000 square feet of retail space. North Springs has a book value of $11,000,000 and an independent appraised value of $16,350,000. We believe the current market and demand for a transit-oriented, mixed-use site like North Springs provides us with an excellent opportunity to sell this asset or use it to participate in a joint venture. This sale or joint venture would pay off the $5,500,000 North Springs land loan, and we could use the remaining proceeds for investment in the development and construction of the Bradley Park, Northridge, and Highway 20 multifamily apartment communities.

Development and Construction of Multifamily Communities

We are optimistic about the market for new apartments in the metro Atlanta submarkets where our land is located. We believe the economic climate for our business in these markets is strong for the following reasons:

? Rents for the "Class A" or upscale apartment communities of the type that we build are projected to continue to increase during 2014.

? Occupancy rates for Class A apartments in Atlanta are forecast to continue to increase throughout 2014.

? Relatively few new suburban apartments were constructed in Atlanta in 2013, and construction of new suburban apartments is expected to remain low by historical standards throughout 2014.

? Employment in metro Atlanta is expected to continue to grow, although at a lower rate when compared to historical levels.

? Nationally, home ownership rates are declining, and we believe that this trend, coupled with larger required down payments for single-family home loans and the fact that the largest demographic group in the history of the United States is entering their peak renting years, will continue to lead to higher demand for apartments generally and in our market areas, specifically.

We believe that these favorable trends will increase the availability of debt and equity capital for the construction of new apartments in our market areas, particularly for companies like ours, that have a long history of developing, constructing, leasing up, and selling upscale multifamily communities for substantial profits and that own tracts of land in areas we believe are well-suited for upscale apartments. For the reasons explained in Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2013, as well as Part II, Item 1A, Risk Factors, below, however, our beliefs and expectations about these favorable trends, or our ability to capitalize on them, may not prove to be accurate.

We currently hold three land parcels for development and construction:

1. Bradley Park is a 22-acre site near the GA-400 and Highway 20 interchange, zoned for 154 multifamily units. The property is in Forsyth County, Georgia, which is ranked as America's 7th fastest growing county by Forbes magazine. Bradley Park is located in close proximity to the Northside Hospital – Forsyth complex, which employs more than 2,200 physicians and 1,800 employees. During the past year, we have designed the Bradley Park apartments and successfully completed the sketch plat review process required by Forsyth County. The new sketch plat was approved at a public hearing by the Forsyth County Board of Commissioners on November 7, 2013. As previously noted in Recent Developments above, on April 15, 2014, we obtained the Land Disturbance Permit for Bradley Park and we have also received approval from the U.S. Army Corps of Engineers for our Creek Crossing Permit. We are currently completing the final architectural design drawings in order to apply for our building permits. We are preparing to raise the equity and obtain the construction loans necessary to construct the Bradley Park apartment community. We recently received written term sheets from two local banks outlining their loan terms and expressing their interest in providing the construction loan for the Bradley Park apartment community.

2. Northridge is a 10.9-acre site located in Sandy Springs near the GA-400 and Northridge interchange, zoned for 220 multifamily units. The site is almost equidistant from North Point in Alpharetta, Perimeter Center, and Phipps Plaza/Lenox Mall/Buckhead, which are three of Atlanta's major employment and retail bases. The community has easy access to Georgia 400 and MARTA (Atlanta's rapid rail transit system). Outside of peak congestion periods, the community is within approximately a 30-minute drive of virtually the entire metro area, including Hartsfield Jackson International Airport. The Northridge land has a book value of $4,506,643 and is owned debt free. We have purchased our land disturbance permit and are currently completing the architectural design drawings which will allow us to apply for our building permits. We expect construction of the Northridge community to follow the start of construction of the Bradley Park community.

3. Highway 20 is a 38-acre site located in the City of Cumming in Forsyth County zoned for 210 multifamily units. The property is located on Georgia Highway 20 at the intersection of Elm Street, just north of Cumming's town square, which provides shopping, restaurants, and other entertainment and educational venues. The Cumming area continues to experience rapid growth with the expansion of the Northside Hospital – Forsyth complex, the City's new Governmental Center, a three-pool aquatic center, and the opening of a satellite campus for the University of North Georgia. Highway 20 is also three blocks from a Forsyth County elementary, middle, and high school. Forsyth County schools are one of the top rated school systems in Georgia. We are currently in the design phase on the Highway 20 community.

We believe this is an opportune time to create new multifamily apartment communities and that we can create value for our shareholders as we have historically done through developing, constructing, managing, and selling high quality multifamily apartment communities for cash flow and long-term capital appreciation. We intend to move forward with the development and construction of our Bradley Park, Northridge, and Highway 20 multifamily apartment communities, although we cannot make substantial progress on constructing and leasing up these apartment communities until we raise the necessary equity and obtain the construction loans. We currently estimate that we will need approximately $17,325,000 of additional equity and $53,129,000 of debt to complete the construction of these three communities.

We intend to use the proceeds from the sale or joint venture of the North Springs property to provide a portion of the equity capital to develop and construct our Bradley Park, Northridge, and Highway 20 multifamily apartment communities. We are also discussing with possible joint venture participants, such as pension funds, life insurance companies, hedge funds, sovereign wealth funds, other foreign investors, and local investors, providing part of the equity needed to develop and construct these communities. We may also form a new affiliate that would raise private equity for the specific purpose of purchasing one or more of these three land parcels and constructing multifamily apartment communities. We may also sell one or more of these land parcels to Roberts Properties, Inc., which is wholly owned by Mr. Charles S. Roberts, our Chairman of the Board and President, or to a newly formed affiliate of Roberts Properties, Inc. that would raise private equity for the specific purpose of purchasing one or more of the remaining land parcels and constructing multifamily apartment communities.

If we are unable to sell the North Springs property, find a joint venture partner, or raise private equity as we intend, we will be unable to carry out our planned development and construction program and execute our business plan, which might result in losses to us. We are not able to provide any assurance that we will be able to raise the equity and debt needed to complete the construction of any new multifamily apartment communities.

Future Acquisitions of Existing Multifamily Apartment Communities

As part of our future business and growth plan, we intend to acquire existing multifamily apartment communities and to focus on well-located Class B apartment communities in the southeastern United States that can be upgraded and repositioned in their respective markets. We may raise private equity or participate in joint ventures with pension funds, life insurance companies, hedge funds, sovereign wealth funds, other foreign investors, or local investors to fund the acquisition of these communities. We have successfully implemented this strategy in the past with acquisitions such as St. Andrews at the Polo Club in Wellington, Florida.

Possible Sale, Merger, Other Business Combination, or Recapitalization

Consistent with our previous disclosure, in addition to the above objectives, we continue to pursue and work on strategic alternatives that would enhance shareholder value through a sale, merger, other business combination, or an investment of new equity in the company to accelerate our growth. We have engaged in discussions with both private companies and individuals regarding these alternatives, including parties that have expressed a desire to become a public company through a transaction with us. As of the filing date of this report, we have not entered into any definitive agreement for such a transaction. Our management continues to pursue and work diligently on any such transaction that would reward shareholders and maximize their value, although we are unable to provide any assurance that such a transaction will be consummated.

Comparison of Six Months ended June 30, 2014 to Six Months ended June 30, 2013

Cash and cash equivalents decreased $1,613,496 during the first six months of 2014 compared to a decrease of $197,182 during the 2013 period. The respective changes in cash are described below.

Net cash used in operating activities in the 2014 period was $1,518,178 compared to $540,908 of cash used in operating activities during the 2013 period. This increase was primarily the result of a $403,182 decrease in due from affiliates coupled with a $371,356 decrease in the change in accounts payable, accrued expenses, and other liabilities relating to operating activities.

Net cash used in investing activities was $5,318 during the 2014 period compared to net cash provided by investing activities of $7,518,521 during the 2013 period. This decrease was primarily due to the $8,040,000 of sales proceeds from the Peachtree Parkway property in the 2013 period; partially offset by a $191,564 decrease in development and construction of real estate assets, a $105,708 increase in the change in accounts payable, accrued expenses, and other liabilities relating to investing activities, and a $205,098 increase in the change in restricted cash.

Net cash used in financing activities was $90,000 for the 2014 period compared to $7,174,795 during the 2013 period. The decrease in cash used by financing activities primarily resulted from the $7,000,200 payoff of the Peachtree Parkway loan, along with $93,282 of principal repayments on liabilities related to discontinued operations in the 2013 period.

Debt Maturities

Our existing loans will be amortized with scheduled monthly payments, as well as balloon payments at maturity, through 2015 as summarized below:

Debt Maturity Schedule as of June 30, 2014

Year	Total Principal Payments Per Year	Recourse Loans with Balloon Payments
2014	$ 8,065,000	North Springs, Highway 20
2015	3,000,000	Bradley Park
2016	—	
2017	—	
2018	—	
Thereafter	—	
Total	$ 11,065,000	

Short-Term Debt

As of June 30, 2014, we had a total of $11,065,000 of outstanding debt. As of the filing date of this report, we have a total of $10,374,636 in debt that matures within the next 12 months. All of that debt matures before April 1, 2015. See Short- and Long-Term Liquidity Outlook above for how we intend to refinance or repay these loans.

Effect of Floating Rate Debt

We have two loans that bear interest at floating rates. As of the filing date of this report, these loans have an aggregate outstanding principal balance of $4,874,636: a $3,000,000 loan that bears interest at 350 basis points over the 30-day LIBOR, with an interest rate floor of 4.75%; and a $1,874,636 loan that bears interest at the prime rate plus 175 basis points with an interest rate floor of 5.0%. Changes in LIBOR and the prime rate that increase the interest rates on these loans above their respective interest rate floors will increase our interest expense. For example, a 1.0% increase in the interest rates on these loans above their respective interest rate floors would increase our interest expense by approximately $48,746 per year and reduce our liquidity and capital resources by that amount.

Contractual Commitments

Roberts Properties provides us with various development services that include market studies, business plans, design, finish selection, and interior design. We enter into construction contracts in the normal course of business with Roberts Construction and currently have four ongoing construction contracts with Roberts Construction. The terms of the construction contracts are cost plus 5% for overhead and 5% for profit.

Critical Accounting Policies and Estimates

We prepare our financial statements in accordance with U.S. generally accepted accounting principles. See Recent Accounting Pronouncements below for a summary of recent accounting pronouncements and the expected impact on our financial statements. A critical accounting policy is one that requires significant judgment or difficult estimates and is important to the presentation of our financial condition or results of operations. Because we are in the business of owning, operating, and developing multifamily apartment communities, our critical accounting policies relate to cost capitalization and asset impairment evaluation. The following is a summary of our overall accounting policy in these areas.

Cost Capitalization

We state our real estate assets at the lower of depreciated cost or fair value, if deemed impaired. We expense ordinary repairs and maintenance as incurred. We capitalize and depreciate major replacements and betterments over their estimated useful lives. Depreciation expense is computed on a straight-line basis over the estimated useful lives of 27.5 years for buildings and improvements, 15 years for land improvements, and five to seven years for furniture, fixtures, and equipment.

We capitalize direct costs associated with the development and construction of our real estate assets. We expense all internal costs associated with the acquisition and operation of these assets to general and administrative expense in the period we incur these costs. For our real estate assets, we capitalize interest on qualifying construction expenditures in accordance with FASB Accounting Standards Codification (ASC) Topic 835-20, *Interest – Capitalization of Interest*. During the development and construction of a property, we capitalize related interest costs, as well as other carrying costs such as real estate taxes and insurance. We begin to expense these items as the property becomes substantially complete and available for initial occupancy. During the lease-up period, as a property transitions from initial occupancy to stabilized occupancy, revenues are generally insufficient to cover interest, carrying costs, and operating expenses, resulting in an operating deficit. The size and duration of this lease-up deficit depends on the rate at which construction is completed, the pace at which we lease the property, and the rent levels we achieve.

Asset Impairment Evaluation

We periodically evaluate our real estate assets, on a property-by-property basis, for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable in accordance with FASB ASC Topic 360-10, *Property, Plant, and Equipment – Overall*.

FASB ASC Topic 360-10 requires impairment losses to be recorded on long-lived assets used in operations and land parcels held for use when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The expected future cash flows depend on estimates made by management, including (1) changes in the national, regional, and/or local economic climates, (2) rental rates, (3) competition, (4) operating costs, (5) occupancy, (6) holding period, and (7) an estimated construction budget. A change in the assumptions used to determine future economic events could result in an adverse change in the value of a property and cause an impairment to be recorded in the future. Due to uncertainties in the estimation process, actual results could differ from those estimates. Our determination of fair value is based on a discounted future cash flow analysis, which incorporates available market information as well as other assumptions made by our management, evaluation of appraisals, and other applicable valuation techniques. Because the factors we use in generating these cash flows are difficult to predict and are subject to future events that may alter our assumptions, we may not achieve the discounted or undiscounted future operating and residual cash flows we estimate in our impairment analyses or those established by appraisals, and we may be required to recognize future impairment losses on our properties held for use.

As of June 30, 2014 and 2013, we determined that the carrying amounts of our operating real estate assets and our land parcels were recoverable. Accordingly, we did not record an impairment loss during the six months ended June 30, 2014 and 2013.

Income Taxes

In preparing our condensed consolidated financial statements, management judgment is required to estimate our income taxes. Our estimates are based on our interpretation of federal and state tax laws. We estimate our current tax due and assess temporary differences resulting from differing treatment of asset and liability amounts for tax and accounting purposes. The temporary differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets. We recorded a full valuation allowance against our net deferred tax assets based upon our analysis of the timing and reversal of future taxable amounts and our history and future expectations of taxable income. Adjustments may be required by a change in assessment of our deferred tax assets and liabilities, changes due to audit adjustments by federal and state tax authorities, and changes in tax laws. To the extent adjustments are required in any given period we will include the adjustments in the deferred tax assets and liabilities in our condensed consolidated financial statements.

As of December 31, 2013, we had net operating loss carryforwards of approximately $15.94 million. These net operating losses are available to offset future taxable income through 2033.

In general, a valuation allowance is recorded if based on the weight of available evidence it is more likely than not that some portion or all of the deferred tax asset will not be realized. Realization of our deferred tax assets is dependent upon us generating sufficient taxable income in future years in the appropriate tax jurisdictions to obtain a benefit from the reversal of deductible temporary differences and from loss carry forwards. Based on the timing of reversal of future taxable amounts and our history of losses, we do not believe that we have met the requirements to realize the benefits of our net deferred tax assets; therefore, we have maintained a full valuation allowance.

Recent Accounting Pronouncements

Please refer to Note 3, Basis of Presentation – Recent Accounting Pronouncements in the notes to the condensed consolidated financial statements included in this report for a discussion of recent accounting standards and pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedure

Based on our management's evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, as of June 30, 2014, the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were not effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer reached the conclusion expressed in the preceding paragraph because they have determined that our failure to properly evaluate the qualifications to be taxed as a REIT for federal income tax purposes (which was a deficiency in our internal control over financial reporting that constituted a material weakness at June 30, 2014), was also sufficient to cause them to conclude that our disclosure controls and procedures were not effective at that date. In reaching that conclusion, our Chief Executive Officer and Chief Financial Officer took into account in particular that we are restating our consolidated financial statements and related footnote disclosures for the quarterly periods years ended June 30, 2014 and 2013. See the Explanatory Note following the cover page of this Form 10-Q/A and the following section of this Item 4.

Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. Our internal control over financial reporting is a process designed, as defined in Rule 13a-15(f) under the Exchange Act, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of our annual consolidated financial statements, our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. Management based this assessment on the criteria established in *Internal Control* *over Financial Reporting — Guidance for Smaller Public Companies* issued by the Committee of Sponsoring Organizations of the Treadway Commission (which is sometimes referred to as the 1992 COSO Framework). Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of our internal control over financial reporting. Based on this assessment, for the reasons explained in the Explanatory Note following the cover page of this Form 10-Q/A, our management has concluded that our internal control over financial reporting was not effective as of December 31, 2013 and at June 30, 2014.

As explained in the Explanatory Note, our management has determined that our failure to properly evaluate the qualifications to be taxed as a REIT for federal income tax purposes was a deficiency in our internal control over financial reporting that constitutes a material weakness at December 31, 2013 and at June 30, 2014. To correct the effect of this material weakness, we are filing this Form 10-Q/A for the purposes explained in the Explanatory Note.

We believe that our additional financial reporting and accounting personnel and our increased financial and other resources resulting from our change in control transaction with A-III Investment Partners LLC in January 2015 will address this material weakness and avoid similar weaknesses in the future.

Changes in Internal Control

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any system design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None of Roberts Realty, the operating partnership, or our properties is presently subject to any material litigation nor, to our knowledge, is any material litigation threatened against any of them. Routine litigation arising in the ordinary course of business is not expected to result in any material losses to us or the operating partnership.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this quarterly report, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2013, as well as the risk factors described below. These risk factors could materially affect our business, financial condition, or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, and/or operating results.

We face the maturity of our short-term debt, and we may be unable to repay, extend, or refinance this debt.

As of the filing date of this report, we have three loans with a total principal balance of $10,374,636 that are scheduled to mature within the next 12 months: (a) the $1,874,636 Highway 20 land loan that matures on October 8, 2014; (b) the $5,500,000 North Springs land loan that matures on October 17, 2014 (which we can extend to January 17, 2015 through a 3-month extension option by paying a 1.0% extension fee); and (c) the $3,000,000 Bradley Park land loan that matures on April 1, 2015. If we do not sell the North Springs property as we intend; or we are unable to extend or refinance our debt at maturity on acceptable terms, or at all, or we are unable to find alternative funding and raise additional capital for the development of the Bradley Park, Northridge, and Highway 20 properties, we might be compelled to dispose of one or more of our properties on disadvantageous terms, which could result in losses to us. Those losses could have a material adverse effect on our ability to pay amounts due on our debt and to pay distributions to our investors. Further, if we are unable to meet mortgage payments on any mortgaged property, the mortgagee could foreclose upon the property, resulting in a loss of our asset value. Foreclosures could also create taxable income without accompanying cash proceeds.

We may not be able to obtain the debt and equity we need to carry out our planned development and construction program.

To start construction on our Bradley Park, Northridge, and Highway 20 multifamily land parcels as we intend, we will need a substantial amount of additional debt and equity capital. We currently estimate that we will need approximately $17,325,000 of additional equity and $53,129,000 of debt to complete the construction of our Bradley Park, Northridge, and Highway 20 multifamily apartment communities. We believe that the equity we need to fund the construction of a new multifamily property, in addition to a construction loan, would come from the proceeds of a sale of the North Springs property, the contributions from a joint venture partner, or from raising private equity. We are not able to provide any assurance that we will be able to raise the debt and equity needed to complete the construction of even one new multifamily community. If we are unable to obtain debt and equity on favorable terms, or at all, we will be unable to carry out our planned development and construction program, and our returns to investors will be reduced accordingly.

Our exploration of potential strategic alternatives may be unsuccessful.

We continue to explore potential strategic alternatives for the company. These alternatives could include a sale, merger, other business combination, or recapitalization. We caution that there can be no assurance that the exploration of strategic alternatives will result in any transaction, or that, if completed, any transaction will be on attractive terms.

We may not be able to benefit from our net operating loss carry forwards.

In preparing our condensed consolidated financial statements, significant management judgment is required to estimate our income taxes. Our estimates are based on our interpretation of federal and state tax laws. We estimate our actual current tax due and assess temporary differences resulting from differing treatment of items for tax and accounting purposes. The temporary differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets. Adjustments may be required by a change in assessment of our deferred tax assets and liabilities, changes due to audit adjustments by federal and state tax authorities, and changes in tax laws and rates. To the extent adjustments are required in any given period, we include the adjustments in the deferred tax assets and liabilities in our condensed consolidated financial statements. These adjustments could materially affect our results of operations, cash flows and financial position.

In prior years, we have suffered losses, for tax and financial statement purposes, that generated significant federal and state net operating loss carry forwards. Although these net operating loss carry forwards may be used against future taxable income in future periods, we will not receive any tax benefits from the tax losses we incurred unless, and only to the extent that we have taxable income in the 20-year net operating loss carry forward period. Based on the timing of reversals of our existing taxable temporary differences and our history of losses, management does not believe that we have met the requirements to realize the benefits of certain of our deferred tax assets. Therefore, we have maintained a full valuation allowance against our net deferred tax assets in our condensed consolidated financial statements as of June 30, 2014 and 2013.

In addition, our ability to use the net operating loss carry forwards would be severely limited in the event we complete a transaction that results in an ownership change under Section 382 of the Internal Revenue Code.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The exhibits described in the following Index to Exhibits are filed as part of this report on Form 10-Q.

Exhibit No.	Description of Exhibit
10.1	Renewal of $5,500,000 North Springs land loan with North Springs Financial, LLC on June 6, 2014. [Incorporated by reference to Item 1.01 in our current report on Form 8-K dated June 6, 2014.]
31.1	Certification of Edward Gellert pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Mark Chertok pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Edward Gellert pursuant to 18 U.S.C. Section 1350, Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit is not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 but is instead furnished as provided by applicable rules of the Securities and Exchange Commission.
32.2	Certification of Mark Chertok pursuant to 18 U.S.C. Section 1350, Section 906 of the Sarbanes-Oxley Act of 2002. This exhibit is not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 but is instead furnished as provided by applicable rules of the Securities and Exchange Commission.
101	The following financial statements from Roberts Realty Investors, Inc.’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets (unaudited); (ii) the Condensed Consolidated Statements of Operations (unaudited); (iii) the Condensed Consolidated Statements of Cash Flows (unaudited); and (iv) the Notes to the Condensed Consolidated Financial Statements.*

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 17, 2015

ACRE Realty Investors Inc.
(formerly named Roberts Realty Investors, Inc.)

By: /s/ Mark Chertok
Mark Chertok, Chief Financial Officer
(the registrant’s principal financial and accounting officer,
who is duly authorized to sign this report)