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

FORM 10-Q

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

For the quarterly period ended September 30, 2016

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)

212-878-3504
(Registrant's telephone number, including area code)

N/A
(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 November 4, 2016
Common Stock, $.01 par value per share	20,464,187 shares

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EXPLANATORY NOTE

References to the Registrant

On January 30, 2015, the registrant changed its corporate name from Roberts Realty Investors, Inc. to ACRE Realty Investors Inc. and the registrant's operating partnership changed its name from Roberts Properties Residential, L.P. to ACRE Realty LP. This Form 10-Q, including the exhibits, will contain references to our company and its operating partnership under the new names and former names. We refer to the registrant elsewhere in this Form 10-Q (unless the context indicates otherwise) as "we," "us," "our," "the company," and "our company." Those references also encompass our subsidiary, ACRE Realty LP, 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 the operating partnership only.

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 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 future prospects and expanded business strategy, including the possible sale of our land parcel, the acquisition of new real estate assets and the timing of the closing of these transactions. Other forward-looking statements relate to 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, assumptions, 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 Form 10-K for the year ended December 31, 2015, 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

ACRE REALTY INVESTORS INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2016	December 31, 2015
ASSETS		
Real estate asset held for sale	$ 4,283,385	$ 4,283,385
Cash and cash equivalents	17,441,314	19,874,915
Other assets	181,469	157,353
Total assets	$ 21,906,168	$ 24,315,653
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 578,989	$ 420,848
Due to affiliates	213,359	247,932
Liabilities related to real estate asset held for sale	16,530	2,612
Total liabilities	808,878	671,392
Commitments and contingencies	—	—
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, 20,536,904 and 20,159,285 shares issued and 20,464,187 and 20,086,568 shares outstanding at September 30, 2016 and December 31, 2015, respectively	205,369	201,593
Additional paid-in capital	44,460,878	44,205,575
Treasury shares, at cost 72,717 shares at September 30, 2016 and December 31, 2015, respectively	(71,332)	(71,332)
Accumulated deficit	(24,285,842)	(21,718,326)
Total ACRE Realty Investors Inc. shareholders' equity	20,309,073	22,617,510
Non-controlling interest – operating partnership	788,217	1,026,751
Total equity	21,097,290	23,644,261
Total liabilities and shareholders' equity	$ 21,906,168	$ 24,315,653

See notes to the unaudited consolidated financial statements.

ACRE REALTY INVESTORS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Revenues:				
Other income	$ —	$ 157	$ —	$ 255
Interest income	—	—	—	177
Total Revenues	—	157	—	432
Expenses:				
Property, insurance and other expenses	3,349	8,714	10,429	33,846
Real estate taxes	4,385	12,111	13,203	60,197
Management fees, affiliate	96,940	102,356	296,953	279,721
Allocated salaries and other compensation	116,250	136,363	410,935	363,636
Interest expense	—	9,482	—	398,830
General and administrative expenses	363,710	480,434	1,941,107	1,741,219
Depreciation expense	—	—	—	13,654
Total Expenses	584,634	749,460	2,672,627	2,891,103
Other Income:				
Gain on sale of assets	—	—	—	1,022,871
Net Loss	(584,634)	(749,303)	(2,672,627)	(1,867,800)
Loss Attributable to Non-controlling Interest	(21,842)	(33,194)	(105,111)	(213,838)
Net Loss Attributable to Common Shareholders	$ (562,792)	$ (716,109)	$ (2,567,516)	$ (1,653,962)
Loss Per Common Share - Basic and Diluted (Note 5)				
Basic	$ (0.03)	$ (0.04)	$ (0.13)	$ (0.09)
Diluted	$ (0.03)	$ (0.04)	$ (0.13)	$ (0.09)

See notes to the unaudited consolidated financial statements.

ACRE REALTY INVESTORS INC.
CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)

	Common Shares		Attributable to Common Shareholders					
	Number of Shares Issued	**Amount**	**Additional Paid-In Capital**	**Treasury Shares**	**Accumulated Deficit**	**Total ACRE Shareholders' Equity**	**Non-controlling Interest**	**Total Equity**
BALANCE AT DECEMBER 31, 2015	20,159,285	$201,593	$44,205,575	$ (71,332)	$(21,718,326)	$ 22,617,510	$1,026,751	$23,644,261
Net loss	—	—	—	—	(2,567,516)	(2,567,516)	(105,111)	(2,672,627)
Stock award issuance	260,000	2,600	(2,600)	—	—	—	—	—
Amortization of shared based compensation	—	—	125,656	—	—	125,656	—	125,656
Redemption of operating partnership units for common shares	117,619	1,176	168,491	—	—	169,667	(169,667)	—
Adjustment for non-controlling interest in the operating partnership	—	—	(36,244)	—	—	(36,244)	36,244	—
BALANCE AT SEPTEMBER 30, 2016	20,536,904	$205,369	$44,460,878	$ (71,332)	$(24,285,842)	$ 20,309,073	$ 788,217	$21,097,290

See notes to the unaudited consolidated financial statements.

ACRE REALTY INVESTORS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2016	**2015**
Operating Activities:		
Net loss	$ (2,672,627)	$ (1,867,800)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	—	225,944
Gain on sale of asset	—	(1,022,871)
Amortization of shared based compensation	125,656	—
Changes in operating assets and liabilities:		
(Increase) decrease in other assets	(24,116)	258,862
(Decrease) increase in due to affiliates	(31,972)	232,218
Increase (decrease) in accounts payable and accrued expenses	169,458	(541,488)
Net cash used in operating activities	(2,433,601)	(2,715,135)
Investing Activities:		
Proceeds from sale of real estate asset	—	5,500,000
Costs related to the sale of real estate asset	—	(17,941)
Decrease in restricted cash	—	97,985
Escrow deposit	—	45,000
Development and construction of real estate assets	—	(34,294)
Net cash provided by investing activities	—	5,590,750
Financing Activities:		
Proceeds from land loans	—	2,000,000
Principal repayments of land loans	—	(10,020,000)
Payment of loan costs	—	(139,187)
Offering costs	—	(119,716)
Proceeds from the issuance of common stock	—	7,090,000
Proceeds from the issuance of warrants	—	4,910,000
Net cash provided by financing activities	—	3,721,097
Net (Decrease) Increase in Cash and Cash Equivalents	(2,433,601)	6,596,712
Cash and Cash Equivalents, Beginning of Period	19,874,915	238,267
Cash and Cash Equivalents, End of Period	$17,441,314	$ 6,834,979
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ —	$ 307,023
Cash paid for state taxes	$ 5,356	$ 2,500
Supplemental Schedule of Non-Cash Investing Activities and Financing Activities:		
Redemption of operating partnership units for common shares	$ 169,667	$ 3,268,478
Adjustment to non-controlling interest in the operating partnership	$ —	$ (1,048,209)
Reclassification of deferred offering costs to equity	$ —	$ 325,677

See notes to the unaudited consolidated financial statements.

1. BUSINESS AND ORGANIZATION

ACRE Realty Investors Inc. (the "company") (formerly 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. The company's strategy has since changed upon the consummation of the transaction with A-III Investment Partners LLC, as described below.

The company conducts all of its operations and owns all of its assets in and through ACRE Realty LP (formerly known as Roberts Properties Residential, L.P. until its name was changed on January 30, 2015), a Georgia limited partnership (the "operating partnership"), or through wholly owned subsidiaries of the operating partnership. The company controls the operating partnership as its sole general partner and had a 96.26% and a 95.66% ownership interest in the operating partnership at September 30, 2016 and December 31, 2015, respectively.

On November 19, 2014, the company and its operating partnership entered into a Stock Purchase Agreement with A-III Investment Partners LLC ("A-III") (the "Stock Purchase Agreement"). 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 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 land parcels owned at January 30, 2015, 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, Roberts Realty Investors, Inc. amended its articles of incorporation to change its name to ACRE Realty Investors Inc. At the closing, the company and Mr. Roberts, Roberts Realty Investors, Inc.'s chairman and chief executive officer, entered into an employment agreement pursuant to which Mr. Roberts serves as an Executive Vice President for a term of one year from the date of the agreement or January 30, 2016, or until the sale of all four land parcels owned at January 30, 2015 is completed, if earlier. On February 1, 2016, the company, A-III and Mr. Roberts, entered into an agreement (the "First Extension Agreement"), effective as of January 28, 2016, extending the terms of the Employment Agreement by and between the company and Mr. Roberts (the "Employment Agreement") and the Governance and Voting Agreement by and among the company, A-III and Mr. Roberts (the "Governance and Voting Agreement"), each dated as of January 30, 2015. On June 15, 2016, the company, A-III and Mr. Roberts, entered into an amendment to the First Extension Agreement (the "Second Extension Agreement"), effective as of June 15, 2016, further extending the terms of the Employment Agreement and the Governance and Voting Agreement. As a result of these amendments, the parties have agreed to extend the expiration of the term of each of the Employment Agreement and the Governance and Voting Agreement from June 30, 2016, the first extension date, to December 31, 2016. As a result, all of the respective rights and obligations of the parties under, and all other terms, conditions and provisions of, the Employment Agreement and the Governance and Voting Agreement shall continue in full force and effect until December 31, 2016, unless the Employment Agreement or the Governance and Voting Agreement is amended in writing by the parties or is sooner terminated in accordance with the provisions thereof. See Note 11, Subsequent Events, relating to the extension of the Governance and Voting Agreement and expiration of the Employment Agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Quarterly Presentation. The accompanying consolidated financial statements and related notes of the company have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial reporting and the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. The consolidated financial statements, including the notes are unaudited and exclude some disclosures required in audited financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of the company's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These financial statements should be read in conjunction with the company's December 31, 2015 consolidated financial statements and notes thereto included in the company's Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission. Capitalized terms used herein and not otherwise defined, are defined in the company's December 31, 2015 consolidated financial statements.

Principles of Consolidation. The accompanying consolidated financial statements include the consolidated accounts of the company and the operating partnership, which is controlled by the company. The operating partnership is a variable interest entity ("VIE"), in which the company is considered to be the primary beneficiary. All inter-company accounts and transactions have been eliminated in consolidation. The financial statements of the company have been adjusted for the non-controlling interest of the unitholders in the operating partnership.

The company consolidates the operating partnership, a VIE, in which it is considered to be the primary beneficiary. The primary beneficiary is the entity that has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE. The company is required to reassess whether it is the primary beneficiary of a VIE for each reporting period. Our maximum exposure to loss is the carrying value of assets and liabilities of our operating partnership which represents all of our assets and liabilities.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Real Estate Asset Held For Sale. Real estate asset held for sale is recorded at the lower of the carrying amount or fair value less estimated selling costs. The company reviews the real estate asset held for sale each reporting period to determine that the carrying amount remains recoverable. If the carrying amount of the real estate asset exceeds the fair value, the asset will be written down by the amount the carrying amount exceeds the fair value amount. The fair value is determined by an evaluation of an appraisal, discounted cash flow analysis, sale price and other applicable valuation techniques. As of September 30, 2016, the carrying amount of our real estate asset remained recoverable.

The company recognizes gains on the sales of assets in accordance with FASB ASC Topic 360-20, *Property, Plant, and Equipment – Real Estate Sales*. If any significant continuing obligation exists at the date of sale, the company defers a portion of the gain attributable to the continuing obligation until the continuing obligation has expired or is removed. There were no such continuing obligations on the sales of any of the company's assets as of September 30, 2016 and December 31, 2015.

Cash and Cash Equivalents. The company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The company maintains cash and cash equivalent balances with financial institutions that may at times exceed the limits for insurance provided by the Federal Depository Insurance Corporation. The company has not experienced any losses related to these excess balances and management believes its credit risk is minimal.

Deferred Financing Costs. Deferred financing costs include fees and expenses incurred to obtain financing and are amortized to interest expense in the consolidated statements of operations, using the straight-line method over the terms of the related indebtedness. Although GAAP requires that the effective-yield method be used to amortize financing costs, the effect of using the straight-line method is not materially different from the results that would have been obtained using the effective-yield method. Effective January 1, 2016, the company adopted the newly issued accounting guidance for presentation of debt financing costs. Under the new standard, debt financing costs are required to be presented in the consolidated balance sheets as a direct deduction from the carrying value of the associated debt liability. There was no debt or deferred financing costs as of September 30, 2016.

Warrants. The company accounts for the warrants issued in connection with the A-III Stock Purchase Agreement in accordance with ASC 815, Accounting for Derivative Instruments and Hedging Activities, which provides guidance on the specific accounting treatment of a multitude of derivative instruments. The company received proceeds in a private placement stock offering and issued detachable warrants. The company evaluated the warrants to determine their relative fair value, using the backsolve method of the market approach, incorporating the Black-Scholes option valuation model at their time of issuance and allocated a portion of the proceeds from the private placement to the warrants based on their fair value. The warrants were recorded as a component of equity. In connection with the A-III recapitalization transaction that occurred on January 30, 2015, the company allocated values of $8,990,000 and $3,010,000 to the warrants and common shares, respectively, in the company's Form 10-Q for the quarterly period ended June 30, 2015. As disclosed in the company's Form 10-K for December 31, 2015, subsequent to the issuance of the company's aforementioned interim financial statements, the company determined that it needed to revise this allocation based on the application of a valuation methodology which should have considered the market transaction and results in a corrected allocation of $4,910,000 and $7,090,000 amongst warrants and common shares, respectively. This reallocation had no effect on net income, equity, net change in cash, or total assets of the company reported for that period.

Earnings Per Share. Earnings per share is computed using the two-class method of accounting, which includes the weighted-average number of shares of common stock outstanding during the period and other securities that participate in dividends, such as our vested restricted stock, to arrive at total common equivalent shares. In applying the two-class method, earnings are allocated to both shares of common stock and securities that participate in dividends based on their respective weighted-average shares outstanding for the period. During periods of net loss, losses are allocated only to the extent that the participating securities are required to absorb such losses. Diluted earnings per share is calculated to reflect the potential dilution of all instruments or securities that are convertible into shares of common stock. For the company, this includes the warrants and unvested restricted stock during the periods presented. The company uses the two-class method or the treasury method, whichever is more dilutive.

Share-Based-Compensation. The company records share-based awards to directors, which have no vesting conditions other than time of service, at the fair value of the award, measured at the date of grant. The fair value of share-based grants is being amortized to compensation expense ratably over the requisite service period, which is the vesting period. The company records share-based awards to non-employee officers, based on the estimated fair value of such award at the grant date that is remeasured quarterly for unvested awards. We amortize expense over the requisite service period related to share-based awards granted to non-employee officers**.**

Income Taxes. The company follows the asset and liability method of accounting for deferred income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

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 the company's deferred tax assets depends upon the company 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 carryforwards. The company records a valuation allowance, based on the expected timing of reversal of existing taxable temporary differences and its history of losses and future expectations of reporting taxable losses, if management does not believe it met the requirements to realize the benefits of certain of its deferred tax assets.

Fair Value of Financial Instruments. The company is required to disclose the fair value information about its financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practicable to estimate fair value. See Note 7 - Fair Value Measurements.

Revisions. For the nine months ended September 30, 2015, the company has revised the presentation of the change in restricted cash from operating to investing activities and the presentation of proceeds from the A-III transaction among common stock and warrants within financing activities in the statement of cash flows.

Recent Accounting Pronouncements

In May 2014, the FASB issued an update ("ASU 2014-09") establishing ASC Topic 606, *Revenue from Contracts with Customers*. ASU 2014-09 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and also requires certain additional disclosures. In August 2015, the FASB issued an update ("ASU 2015-14") to ASC 606, *Deferral of the Effective Date*, which defers the adoption of ASU 2014-09 to interim and annual reporting periods in fiscal years that begin after December 15, 2017. In March 2016, the FASB issued an update ("ASU 2016-08") to ASC 606, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard pursuant to ASU 2014-09. In April 2016, the FASB issued an update ("ASU 2016-10") to ASC 606, *Identifying Performance Obligations and Licensing*, which clarifies guidance related to identifying performance obligations and licensing implementation guidance contained in ASU 2014-09. In May 2016, the FASB issued an update ("ASU 2016-12") to ASC 606, *Narrow-Scope Improvements and Practical Expedients*, which amends certain aspects of the new revenue recognition standard pursuant to ASU 2014-09. The company is currently evaluating the impact of the adoption of these ASUs on the company's consolidated financial statements.

In June 2014, the FASB issued an update ("ASU 2014-12") to ASC Topic 718, *Compensation – Stock Compensation*. ASU 2014-12 requires an entity to treat performance targets that can be met after the requisite service period of a share based award has ended, as a performance condition that affects vesting. ASU 2014-12 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2015. The adoption of this update on January 1, 2016 did not have any impact on the company's consolidated financial statements.

In February 2015, the FASB issued an update ("ASU 2015-02") *Amendments to the Consolidation Analysis* to ASC Topic 810, *Consolidation*. ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments: (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidated analysis of reporting entities that are involved with VIEs, and (iv) provide a scope exception for certain entities. ASU 2015-02 is effective for interim and annual reporting periods beginning after December 15, 2015. The adoption of this update on January 1, 2016 did not have a material impact on the company's consolidated financial statements. See Principles of Consolidation above.

In April 2015, the FASB issued an update ("ASU 2015-03") *Simplifying the Presentation of Debt Issuance Costs* to ASC Topic 835, *Interest*. ASU 2015-03 requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability to which they relate, consistent with debt discounts, as opposed to being presented as assets. ASU 2015-03 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2015. The adoption of this update on January 1, 2016 had no impact on the company's consolidated financial statements.

In February 2016, the FASB issued an update ("ASU 2016-02"), Leases (Topic 842) ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). The standard is effective on January 1, 2019, with early adoption permitted. The company is currently in the process of evaluating the impact the adoption of ASU 2016-02 will have on the company's consolidated financial statements.

In March 2016, the FASB issued guidance ("ASU 2016-09") *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.* ASU 2016-09 changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital pools. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. For a public company, the standard is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is permitted in any interim or annual period. The company is currently assessing the impact that this guidance will have on the company's consolidated financial statements when adopted.

In August 2016, the FASB issued an update (ASU 2016-15), *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* ASU 2016-15 amends ASC 230, *Statement of Cash Flows*, to provide guidance on the classification of certain cash receipts and payments in the statement of cash flows. For a public company, the standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The company is currently assessing the impact that this guidance will have on the company's consolidated financial statements when adopted.

3. REAL ESTATE ASSET HELD FOR SALE

Real Estate Asset Held for Sale

As of September 30, 2016 and December 31, 2015, the company owned the land parcel known as Highway 20, a 38-acre site located in the City of Cumming, Georgia in Forsyth County, in the North Atlanta metropolitan area, zoned for 210 multifamily apartment units, which is classified as held for sale. During the fourth quarter of 2015, the company determined that the carrying amount of Highway 20 was not fully recoverable. Accordingly, the company recorded an impairment charge of $500,038. No such adjustment was required during the nine months ended September 30, 2016. Subsequent to September 30, 2016, the company entered into a sale contract for Highway 20 with a related party. See Note 11, Subsequent Events, for related disclosure.

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. The company classifies real estate assets as held for sale after the following conditions have been satisfied: i) receipt of approval from its board of directors (the "Board") to sell the asset; ii) the initiation of an active program to sell the asset; iii) the asset is available for immediate sale; iv) it is probable that the sale of the asset will be completed within one year; and v) it is unlikely the plan to sell will change. 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.

The table below sets forth the asset and liabilities related to real estate asset held for sale at September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
Real Estate Asset Held for Sale	$ 4,283,385	$ 4,283,385
Liabilities Related to Real Estate Asset Held For Sale	$ 16,530	$ 2,612

4. NON-CONTROLLING INTEREST – OPERATING PARTNERSHIP

Holders of operating partnership units ("OP Units") generally have the right to require the operating partnership to redeem their units for shares of the company's 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. Prior to December 29, 2015, we had an informal policy of issuing shares, in lieu of cash in exchange for units. On December 28, 2015, our Board formally adopted a policy whereby we shall only issue our common stock for redemption of units, rather than paying cash for such redemption in accordance with the operating partnership agreement. As a result of this change in policy, the company now requires the issuance of shares of common stock of the company in payment for the redemption of OP Units and therefore has effective control over the redemption and therefore the non-controlling interest is now being classified in permanent equity as of December 28, 2015 as opposed to temporary equity, and similarly at December 31, 2015 and September 30, 2016.

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 of 1933, as amended). 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 non-controlling interest of the unitholders in the operating partnership on the accompanying consolidated balance sheets is calculated by multiplying the non-controlling interest ownership percentage at the balance sheet date by the operating partnership's net assets (total assets less total liabilities). The non-controlling 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 non-controlling interest ownership percentage will change as additional shares and/or units are issued or as units are redeemed for shares of the company's common stock or as the company's common stock is contributed to the operating partnership and units are issued in accordance with the Contribution Factor. The non-controlling interest of the unitholders in the income or loss of the operating partnership in the accompanying consolidated statements of operations is calculated based on the weighted average percentage of units outstanding during the period, which was 3.95% for the nine months ended September 30, 2016 and 6.64% for the year ended December 31, 2015. There were 482,213 units outstanding as of September 30, 2016 and 553,625 units outstanding as of December 31, 2015. The equity balance of the non-controlling interest of the unitholders was $788,217 at September 30, 2016 and $1,026,751 at December 31, 2015.

The following table details the components of non-controlling interest in the operating partnership as of December 31, 2015, which was classified as a liability through December 28, 2015:

	December 31, 2015
Beginning balance	$ 3,468,972
Net loss attributable to non-controlling interest	(206,065)
Redemptions of non-controlling partnership units	(3,285,713)
Contribution of common shares for non-controlling partnership units	—
Adjustments to non-controlling interest in the operating partnership	1,054,968
Non-controlling interest liability balance at December 28, 2015	1,032,162
Transfer non-controlling interest from liability to equity	(1,032,162)
Non-controlling interest liability - ending balance	$ —

5. SHAREHOLDERS' EQUITY

Private Placement. On January 30, 2015, 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 $12,000,000, and the company, for no additional consideration, 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 ($38,000,000 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.

Warrants. Each of the aforementioned warrants entitles the holder to acquire one share of the company's common stock. At the time of issuance, each warrant had an exercise price of $1.42 per share, subject to post-closing adjustments related to the sales of the legacy properties. The company evaluated the warrants to determine their relative fair value, using a variation of the adjusted Black-Scholes option valuation model at their time of issuance and allocated $4,910,000 of the proceeds from the private placement to the warrants based on their fair value. The warrants were recorded as a component of equity. The warrants expire on January 30, 2018. As of September 30, 2016, the warrants remained unexercised.

Redemption of Units for Shares. In accordance with the conversion factor explained in Note 4 – Non-controlling Interest – Operating Partnership, 71,412 OP Units were redeemed for 117,619 shares of the company's common stock for the nine months ended September 30, 2016, and 597,799 OP Units were redeemed for 984,572 shares of the company's common stock for the twelve months ended December 31, 2015. Redemptions are reflected in the accompanying consolidated financial statements at the closing price of the company's stock on the date of redemption.

Contribution of Shares to the Operating Partnership. In accordance with the contribution factor explained in Note 4 – Non-controlling Interest – Operating Partnership, for the nine months ended September 30, 2016 and the year ended December 31, 2015, there were no contribution of shares to the operating partnership. Contributions, if any, are reflected in the accompanying consolidated financial statements based on the closing price of the company's stock on the date of contribution.

Restricted Stock. Shareholders of the company approved and adopted the company's 2006 Restricted Stock Plan (the "Plan") in August 2006. The Plan provides for the grant of stock awards to employees, directors, consultants, and advisors. Under the Plan, as amended, the company 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 the company's Board. On October 12, 2015, based on the recommendation of the Compensation Committee of the Board of Directors, the Board approved a restricted stock grant of 260,000 shares of common stock to the independent directors and certain officers of the company, which was issued on March 28, 2016. The restricted stock was awarded pursuant to the Plan. Vesting of the awards for the independent directors and officers is subject to continued service through the vesting period. The company's independent directors were each awarded 20,000 shares of restricted common stock, which vested on January 30, 2016. Certain of the company's officers were awarded an aggregate of 180,000 shares of restricted common stock, which vest in equal one-third installments. There were 60,000 shares, which vested on each of January 30, 2016 and October 12, 2016. The remaining 60,000 shares will vest on October 12, 2017. Compensation expense related to restricted stock was $14,833 and $125,656 for the three and nine months ended September 30, 2016. No compensation expense was recorded for the three and nine months ended September 30, 2015, respectively. On September 30, 2016, the company had unamortized compensation expense of $39,436 which is expected to be recognized over a weighted average period of 0.97 years.

Treasury Stock. The company has a stock repurchase plan under which it is authorized to repurchase up to 600,000 shares of its outstanding common stock. Under the stock repurchase plan, as of September 30, 2016, the company had authority to repurchase up to 540,362 shares of its outstanding common stock. The stock repurchase plan does not have an expiration date. The company did not repurchase any shares during the nine months ended September 30, 2016 or 2015.

Earnings Per Share. The following table shows the reconciliations of income (loss) available for common shareholders and the weighted average number of shares used in the company's basic and diluted earnings per share computations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Numerator	**2016**	**2015**	**2016**	**2015**
Net loss income attributable to common shareholders – basic	$ (562,792)	$ (716,109)	$ (2,567,516)	$ (1,653,962)
Loss income attributable to non-controlling interest	(21,842)	(33,194)	(105,111)	(213,838)
Net loss – diluted	$ (584,634)	$ (749,303)	$ (2,672,627)	$ (1,867,800)
Denominator				
Weighted average common shares – basic	20,344,187	20,068,192	20,290,146	18,608,369
Effect of potential dilutive securities:				
Weighted average operating partnership units, assuming conversion of all units to common shares	794,237	930,232	833,461	1,492,361
Warrants	—	—	—	—
Weighted average common shares – diluted[(a)]	21,138,424	20,998,424	21,123,607	20,100,730

(a) Due to the net loss for the three and nine months ended September 30, 2016, the incremental shares related to the unvested restricted stock and the warrants were excluded as they were anti-dilutive. Furthermore, the average share price of the company's common stock was below the exercise price of the warrants for the three and nine months ended September 30, 2016. For the three months ended September 30, 2015, the average share price of the company's common stock was below the exercise price of the warrants. Therefore, the warrants were excluded from the earnings per share calculation. For the nine months ended September 30, 2015, while the average share price was in excess of the exercise price of the warrants, due to the loss for the period the incremental shares related to the warrants were excluded because the effect would be antidilutive. There was no unvested restricted stock for the three and nine months ended September 30, 2015 since the restricted stock was granted in October 2015.

6. INCOME TAXES

The company prepared the provision following the guidance of FASB ASC 740 Income Taxes, using the estimated annual effective tax rate applied to the operating results of the company as of September 30, 2016. This rate does not include items related to significant unusual or extraordinary items that would be required to be separately reported or reported net of their related tax effect in the consolidated financial statements. At the end of each interim period the company makes its best estimate of the effective tax rate expected to be applicable for the full year. There were no discrete items during this quarter; therefore, the effective rate was the same rate that was used for the year ended December 31, 2015. The consolidated effective tax rate was zero for the three and nine months ended September 30, 2016 and 2015. In addition, the company had a taxable loss in each of the quarterly periods ended September 30, 2016 and 2015 and accordingly did not have an income tax liability in either of those periods.

7. FAIR VALUE MEASUREMENTS

As discussed in Note 2, GAAP requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial position, for which it is practicable to estimate that value. The company measures and/or discloses the estimated fair value of financial assets and liabilities based on a hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions. This hierarchy consists of three broad levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date;
- Level 2 - inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - unobservable inputs for the asset or liability 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, the company 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 may not reflect the amounts ultimately realized on a sale or other disposition of these assets. Below summarizes the methods and assumptions used to estimate the fair value of each class of financial instruments, for which it is practicable to estimate that value.

- Cash and cash equivalents: The carrying amount of the cash approximates fair value.
- Real estate asset held for sale: Highway 20 is carried at the lower of the carrying amount or fair value, less the estimated selling costs.
- Accounts payable and accrued expenses: The carrying amount approximates fair value due to the short term nature of these liabilities.

The company held no financial assets or liabilities required to be measured at fair value on a recurring or nonrecurring basis as of September 30, 2016 and December 31, 2015, except for the Highway 20 land parcel described in Note 3, which is carried at net realizable value at September 30, 2016 and December 31, 2015.

8. 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. The company operated in a single business segment, which is the ownership and management of real estate assets.

9. RELATED PARTY TRANSACTIONS

Management Agreement. In connection with the recapitalization transactions with A-III, on January 30, 2015, the company entered into a management agreement (the "Management Agreement") with A-III Manager LLC (the "Manager"), which is a wholly-owned subsidiary of A-III, among other things, to provide for the day-to-day management of the company by the Manager, including investment activities and operations of the company and its properties. The Management Agreement requires the Manager to manage and administer the business activities and day-to-day operations of the company and all of its subsidiaries in conformity with the company's investment guidelines and other policies that are approved and monitored by the Board.

The Manager maintains an administrative services agreement with A-III, pursuant to which A-III and its affiliates, including Avenue Capital Group and C-III Capital Partners, will provide a management team along with appropriate support personnel for the Manager to deliver the management services to the company. Under the terms of the Management Agreement, among other things, the Manager will refrain from any action that, in its reasonable judgment made in good faith, is not in compliance with the investment guidelines and would, when applicable, adversely affect the qualification of the company as a REIT. The Management Agreement has an initial five-year term and will be automatically renewed for additional one-year terms thereafter unless terminated either by us or the Manager in accordance with its terms.

For the services to be provided by the Manager, the company is required to pay the Manager the following fees:

- an annual base management fee equal to 1.50% of the company's "Equity" (as defined below), calculated and payable quarterly in arrears in cash;
- a property management fee equal to 4.0% of the gross rental receipts received each month at the company's and its subsidiaries' properties, calculated and payable monthly in arrears in cash;
- an acquisition fee equal to 1.0% of the gross purchase price paid for any property or other investment acquired by the company or any of its subsidiaries, subject to certain conditions and limitations and payable in arrears in cash with respect to all such acquisitions occurring after the date of the Management Agreement;
- a disposition fee equal to the lesser of (a) 50% of a market brokerage commission for such disposition and (b) 1.0% of the sale price with respect to any sale or other disposition by the company or any of its subsidiaries of any property or other investment, subject to certain conditions and limitations and payable in arrears in cash with respect to all such dispositions occurring after the date of the agreement with certain exceptions (this disposition fee will not apply to the sale of the four legacy land parcels that the company currently owns); and
- an incentive fee (as described below) based on the company's "Adjusted Net Income" (as defined below) for the trailing four quarter period in excess of the "Hurdle Amount" (as defined below), calculated and payable in arrears in cash on a rolling quarterly basis.

For purposes of calculating the base management fee, "Equity" means (a) the sum of (1) the net proceeds from all issuances of the company's common stock and OP Units (without double counting) and other equity securities on and after the closing, which will include the common stock issued to A-III in the recapitalization transaction (allocated on a pro rata basis for such issuances during the fiscal quarter of any such issuance) and any issuances of common stock or OP Units in exchange for property investments and other investments by the company, plus (2) the product of (x) the sum of (i) the number of shares of common stock issued and outstanding immediately before the closing and (ii) the number of shares of common stock for which the number of OP Units issued and outstanding immediately before the date of the closing (excluding any OP Units held by the company) may be redeemed in accordance with the terms of the agreement of limited partnership of the operating partnership and (y) the purchase price per share paid by A-III for the shares of common stock the company issued to A-III in the recapitalization transaction, as the purchase price per share may be subsequently adjusted as described above, plus (3) the retained earnings of the company and the operating partnership (without double counting) calculated in accordance with GAAP at the end of the most recently completed fiscal quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), minus (b) any amount in cash that the company or the operating partnership has paid to repurchase common stock, OP Units, or other equity securities of the company as of the closing date of the recapitalization transaction. Equity excludes (1) any unrealized gains, losses or non-cash equity compensation expenses that have impacted shareholders' equity as reported in the financial statements prepared in accordance with GAAP, regardless of whether such items are included in other comprehensive income or loss, or in net income, (2) one-time events pursuant to changes in GAAP, and certain non-cash items not otherwise described above in each case, after discussions between the Manager and the company's independent directors and approval by a majority of the independent directors and (3) the company's accumulated deficit as of the closing date of the recapitalization transaction.

For purposes of the Management Agreement, "Incentive Fee" means an incentive fee, calculated and payable after each fiscal quarter, in an amount equal to the excess, if any, of (i) the product of (A) 20% and (B) the excess of (1) the company's Adjusted Net Income (described below) for such fiscal quarter and the immediately preceding three fiscal quarters over (2) the Hurdle Amount (described below) for such four fiscal quarters, less (ii) the sum of the Incentive Fees already paid or payable for each of the three fiscal quarters preceding that fiscal quarter. Any adjustment to the Incentive Fee calculation proposed by the Manager will be subject to the approval of a majority of the independent directors.

For purposes of calculating the Incentive Fee, "Adjusted Net Income" for the preceding four fiscal quarters means the net income calculated in accordance with GAAP after all base management fees but before any acquisition expenses, expensed costs related to equity issuances, incentive fees, depreciation and amortization and any non-cash equity compensation expenses for such period. Adjusted Net Income will be adjusted to exclude one-time events pursuant to changes in GAAP, as well as other non-cash charges after discussion between the Manager and the independent directors and approval by a majority of the independent directors in the case of non-cash charges. Adjusted Net Income includes net realized gains and losses, including realized gains and losses resulting from dispositions of properties and other investments during the applicable measurement period.

For purposes of calculating the Incentive Fee, the “Hurdle Amount” is, with respect to any four fiscal quarter period, the product of (i) 7% and (ii) the weighted average gross proceeds per share of all issuances of common stock and OP Units (excluding issuances of common stock and OP Units, or their equivalents, as equity incentive awards), with each such issuance weighted by both the number of shares of common stock and OP Units issued in such issuance and the number of days that such issued shares of common stock and OP Units were outstanding during such four fiscal quarter period.

The first Incentive Fee calculation will not occur until after completion of the 2015 fiscal year. The Incentive Fee will be prorated for partial quarterly periods based on the number of days in such partial period compared to a 90-day quarter.

The Manager is also entitled to receive a termination fee from the company under certain circumstances equal to four times the sum of (x) the average annual base management fee, (y) the average annual incentive fee, and (z) the average annual acquisition fees and disposition fees, in each case earned by the Manager in the most recently completed eight calendar quarters immediately preceding the termination.

Additionally, the company will be responsible for paying all of its own operating expenses and the Manager will be responsible for paying its own expenses, except that the company will be required to pay or reimburse certain expenses incurred by the Manager and its affiliates in connection with the performance of the Manager’s obligations under the Management Agreement, including:

- reasonable out of pocket expenses incurred by personnel of the Manager for travel on the company’s behalf;
- the portion of any costs and expenses incurred by the Manager or its affiliates with respect to market information systems and publications, research publications and materials that are allocable to the company in accordance with the expense allocation policies of the Manager or such affiliates;
- all insurance costs incurred with respect to insurance policies obtained in connection with the operation of the company’s business, including errors and omissions insurance covering activities of the Manager and its affiliates and any of their employees relating to the performance of the Manager’s duties and obligations under the Management Agreement or of its affiliates under the administrative services agreement between the Manager and A-III, other than insurance premiums incurred by the Manager for employer liability insurance;
- expenses relating to any office or office facilities, including disaster backup recovery sites and facilities, maintained expressly for the company and separate from offices of the Manager;
- the costs of the wages, salaries, and benefits incurred by the Manager with respect to certain dedicated officers and employees that the Manager elects to provide to the company pursuant to the Management Agreement; provided that (A) if any such dedicated employee devotes less than 100% of his or her working time and efforts to matters related to the company and its business, the company will be required to bear only a pro rata portion of the costs of the wages, salaries and benefits the Manager incurs for such dedicated officers and employee based on the percentage of such employee’s working time and efforts spent on matters related to the company, (B) the amount of such wages, salaries and benefits paid or reimbursed with respect to the dedicated officers and employees shall be subject to the approval of the Compensation Committee of the Board and, if required by the Board, of the Board and (C) during the one-year period following the date of the Management Agreement, the aggregate amount of cash compensation paid to dedicated officers and employees of the Manager and its affiliates by the company, or reimbursed by the company to the Manager in respect thereof, were not to exceed $500,000; and
- any equity-based compensation that the company, upon the approval of the Board or the Compensation Committee of the Board, elects to pay to any director, officer or employee of the company or the Manager or any of the Manager’s affiliates who provides services to the company or any of its subsidiaries.

For the three and nine months ended September 30, 2016 and 2015, the company incurred a base management fee of $96,940, $296,953, $102,356 and $279,721, respectively, which was classified in management fee, affiliates in the consolidated statements of operations. In addition to the base management fee, the company is required to reimburse certain expenses, related wages, salaries and benefits incurred by the Manager. For the three and nine months ended September 30, 2016 and 2015, the company reimbursed expenses of $116,250, $410,935, $136,363 and $363,636, respectively, which was classified in allocated salaries and other compensation, affiliates in the consolidated statements of operations. At September 30, 2016 and December 31, 2015, the unpaid portion of the base management fee and allocated expenses in the amount of $213,190 and $245,753, respectively, was recorded in due to affiliates in the consolidated balance sheets.

For the nine months ended September 30, 2015, the company paid legal fees on behalf of the Manager in the amount of $18,442, for which it was reimbursed.

Additionally, for the nine months ended September 30, 2015, the Manager paid professional fees on behalf of the company in the amount of $50,000, for which the company was reimbursed in July 2015.

Transactions with Roberts Properties, Inc. and Roberts Properties Construction (the "Roberts Companies") and its Affiliates

Reimbursement Arrangement for Consulting Services. The company entered into a reimbursement arrangement for services provided by the Roberts Companies, effective February 4, 2008, as amended January 1, 2014. Under the terms of the arrangement, the company reimburses the Roberts Companies for 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 the company.

Additionally, at the request of the company, Roberts Construction performed repairs and maintenance and other consulting services related to the company's land parcels. Roberts Construction received cost reimbursements of $0, $68, $383 and $86,206 for the three and nine months ended September 30, 2016 and 2015, respectively.

For a period of 180 days after the closing of the recapitalization transaction with A-III, the company had the right to request the reasonable assistance of employees of Roberts Properties, Inc. with respect to transition issues and questions relating to the company's properties and operations. This 180 day period terminated July 30, 2015. The employees of Roberts Properties, Inc. continued to provide limited services with respect to transition issues from July 30, 2015 through September 30, 2016. Consistent with the expired arrangement for transition services, the cost for these services was reimbursed in an amount equal to an agreed-upon hourly billing rate for each employee multiplied by the number of hours that the employee provided such services to the company. Under Mr. Robert's Employment Agreement, Extension Agreement and Second Extension Agreement, Mr. Roberts has agreed to supervise the disposition of the remaining legacy property. Affiliates of Mr. Roberts may provide services to us in connection with the sale of such property. The fees and costs we pay for such services will be considered selling costs for purposes of the true-up arrangement under the Stock Purchase Agreement.

Under these arrangements, the company incurred costs with Roberts Properties of $19,916, $64,273, $16,961 and $113,484 for the three and nine months ended September 30, 2016 and 2015, respectively, which were recorded in general and administrative expenses in the consolidated statements of operations. Roberts Properties also received cost reimbursements in the amount of $86 and $12,340 for the nine months ended September 30, 2016 and 2015, respectively, for the company's operating costs and other related expenses paid by Roberts Properties. There were no cost reimbursements during the three months ended September 30, 2016 and 2015. At September 30, 2016 the unpaid portion of these costs in the amount of $169 is recorded in due to affiliates and $3,241 is recorded in liabilities related to real estate asset held for sale in the consolidated balance sheets.

Sublease of Office Space. On February 19, 2014, the company 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. 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, the company 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. The company 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. The company paid a security deposit of $20,577 upon the execution of the lease and has incurred $8,300, $25,036, $7,836 and $23,167 in rent for the three and nine months ended September 30, 2016 and 2015, respectively.

Extension Agreement Extending Term of Governance and Voting Agreement and Employment Agreement

On February 1, 2016, the company, A-III and Mr. Roberts, entered into the First Extension Agreement, effective as of January 28, 2016, extending the terms of the Employment Agreement by and between the company and Mr. Roberts and the Governance and Voting Agreement by and among the company, A-III and Mr. Roberts. On June 15, 2016, the company, A-III and Mr. Roberts, entered into the Second Extension Agreement, effective as of June 15, 2016, further extending the terms of the Employment Agreement and the Governance and Voting Agreement. As a result of these amendments, the parties have agreed to extend the expiration of the term of each of the Employment Agreement and the Governance and Voting Agreement from June 30, 2016, the first extension date, to December 31, 2016. As a result, all of the respective rights and obligations of the parties under, and all other terms, conditions and provisions of, the Employment Agreement and the Governance and Voting Agreement shall continue in full force and effect until December 31, 2016, unless the Employment Agreement or the Governance and Voting Agreement is amended in writing by the parties or is sooner terminated in accordance with the provisions thereof. See Note 11, Subsequent Events, relating to the extension of the Governance and Voting Agreement and expiration of the Employment Agreement.

10. COMMITMENTS AND CONTINGENCIES

The company and the operating partnership may be 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 should not have a material adverse effect on the company's financial position, results of operations or cash flows.

Under various federal, state, and local environmental laws and regulations, the company 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 assessment of the company's properties have not revealed any environmental liability that the company believes would have a material adverse effect on its business, assets, or results of operations, nor is the company aware of any such environmental liability.

See Note 9 "Related Party Transactions" for details of the company's management agreement and sublease for office space with related parties.

11. SUBSEQUENT EVENTS

On October 7, 2016, the operating partnership entered into a sale contract with Roberts Capital Partners, LLC, a related party, to sell Highway 20 for a purchase price of $4,725,000, including a reimbursement of $1,050,000 relating to prepaid sewer taps. This transaction is expected to close during the first half of 2017, subject to an extension option and certain closing conditions.

On October 10, 2016, the company, A-III and Mr. Roberts, entered into an agreement (the "Extension of Governance and Voting Agreement"), effective as of October 10, 2016, further extending the term of the Governance and Voting Agreement, but not the Employment Agreement. As a result of the Extension of Governance and Voting Agreement, the parties have agreed to extend the expiration of the term of the Governance and Voting Agreement from December 31, 2016 to June 30, 2017. As a result, all of the respective rights and obligations of the parties under, and all other terms, conditions and provisions of, the Governance and Voting Agreement shall continue in full force and effect until June 30, 2017, unless the Governance and Voting Agreement is amended in writing by the parties or is sooner terminated in accordance with the provisions thereof. Pursuant to the Extension of Governance and Voting Agreement, the parties agreed to nominate Mr. Roberts for re-election to the Board to be duly elected by the company's shareholders at the annual meeting to be held on December 14, 2016.

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 Form 10-K for the year ended December 31, 2015 and (b) 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

ACRE Realty Investors Inc. is a commercial real estate investment and operating company focused on commercial real estate investments.

On January 30, 2015, our company and A-III Investment Partners LLC ("A-III") closed a series of transactions that recapitalized our company and resulted in a change in control of our company. At the closing, A-III purchased 8,450,704 shares of our company's common stock at a purchase price of $1.42 per share, for an aggregate purchase price of $12,000,000, and our company issued to A-III warrants to purchase up to an additional 26,760,563 shares of our company's common stock at an exercise price of $1.42 per share ($38,000,000 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 our company's four legacy land parcels held on January 30, 2015, 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. We used a portion of the proceeds of A-III's investment to pay off certain of our outstanding indebtedness as discussed further below.

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

As a result of the transaction, A-III is the largest shareholder of our company, owning as of September 30, 2016 approximately 41% of our outstanding shares of common stock, or approximately 40% on a diluted basis assuming conversion of the outstanding units of limited partnership interest in our operating partnership into company common stock and assuming no exercise of the warrants we granted to A-III.

Effective as of the closing of the A-III transaction, our management was changed and our company is externally managed by our Manager, which is a wholly-owned subsidiary of A-III, pursuant to a management agreement between our company and the Manager that was executed at the closing of the A-III transaction on January 30, 2015. Immediately after the closing, the Manager designated, and the 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; and Mark E. 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 is currently responsible for overseeing the sale of our one remaining legacy land parcel.

We currently own one remaining legacy property, a tract of land totaling 38 acres, which is held for sale at September 30, 2016. On October 7, 2016, we entered into a sale contract with Roberts Capital Partners, LLC, a related party. The sale of the property is expected to close during the first half of 2017, subject to an extension option and certain closing conditions. Our current focus is on selling the remaining legacy property. We do not intend to focus on development projects as we have in the past. Going forward, we expect to pursue a flexible real estate investment strategy. We may invest in multifamily, office, mixed-use office, retail, industrial, healthcare or lodging properties, as well as preferred equity or debt instruments secured by mortgages on these types of properties, mezzanine loans secured by pledges of equity interests in entities that own these types of properties or other forms of subordinate debt in connection with these types of properties.

The Operating Partnership

We conduct our business through ACRE Realty LP which owns the remaining legacy property that is held for sale and will own, either directly or indirectly, through subsidiaries or joint ventures, any future properties we acquire. We refer to ACRE Realty LP as our operating partnership. The agreement of limited partnership of our operating partnership provides that it is not required to be dissolved until 2093. Our company is the sole general partner of our operating partnership and, as of September 30, 2016, owned a 96.26% interest in our operating partnership. Our ownership interest in our operating partnership entitles us to share in cash distributions from, and in the profits and losses of, the operating partnership generally in proportion to our ownership percentage. In this report, we refer to units of limited partnership interest in the operating partnership as "units" and to the holders of units as "unitholders."

Under the limited partnership agreement of our operating partnership, unitholders generally have the right to require the operating partnership to redeem their units. A unitholder who submits units for redemption will receive, at our election, either (a) 1.647 shares for each unit submitted for redemption (the "Conversion Factor"), or (b) cash for those units at their fair market value, based upon the then current trading price of the shares. Prior to December 29, 2015, we had an informal policy of issuing shares, in lieu of cash in exchange for units. On December 28, 2015, our Board formally adopted a policy whereby we shall only issue our common shares for redemption of units, rather than paying cash for such redemption in accordance with the operating partnership agreement.

Whenever we issue and sell shares of our common stock, we are obligated to contribute the net proceeds from that issuance and sale to the operating partnership and the operating partnership is obligated to issue units to us. The operating partnership agreement permits the operating partnership, without the consent of the unitholders, to sell additional units and add limited partners.

Critical Accounting Policies and Estimates

Refer to the section of our Annual Report on Form 10-K for the year ended December 31, 2015 entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" for a discussion of our critical accounting policies. There have been no material changes to these accounting policies for the three and nine months ended September 30, 2016.

Recent Accounting Pronouncements

Please refer to Note 2 – Summary of Significant Accounting Policies – Recent Accounting Pronouncements, in the notes to the unaudited consolidated financial statements included in this Form 10-Q for information on recent accounting pronouncements and the expected impact on our financial statements.

Results of Operations

Comparison of the three months ended September 30, 2016 to 2015

The following table highlights our operating results and should be read in conjunction with the consolidated financial statements and the accompanying notes included in this Form 10-Q.

	Three Months Ended September 30,		
	2016	2015	Change
Total Revenues	$ —	$ 157	$ (157)
Expenses:			
Property, insurance and other expenses	3,349	8,714	(5,365)
Real estate taxes	4,385	12,111	(7,726)
Management fees, affiliate	96,940	102,356	(5,416)
Allocated salaries and other compensation, affiliate	116,250	136,363	(20,113)
Interest expense	—	9,482	(9,482)
General and administrative expenses	363,710	480,434	(116,724)
Total expenses	584,634	749,460	(164,826)
Net Loss	$ (584,634)	$ (749,303)	$ 164,669

Net loss decreased by $164,669 for the three months ended September 30, 2016 when compared to the three months ended September 30, 2015. This decrease was primarily a result of the decrease in expenses for the three months ended September 30, 2016. We explain the major variances between the three months ended September 30, 2016 and 2015 below.

Property insurance and other expenses consisting of utilities, repairs and maintenance, marketing, property insurance, and other expenses decreased by $5,365 primarily resulting from the sale of all but one of the legacy properties in 2015.

Real estate taxes decreased by $7,726, primarily as a result of the sales of the North Springs Land, which closed on December 17, 2015 and the Bradley Park Land, which closed on December 4, 2015.

Management fees, affiliate, decreased by $5,416 primarily due to the net loss during the nine months ended September 30, 2016, which further reduced the equity balance as of September 30, 2016 compared to September 30, 2015. The base management fee is equal to 1.50% per annum of our equity, as defined in the management agreement.

Allocated salaries and other compensation, affiliate, decreased by $20,113, primarily because the reimbursements for the three months ended September 30, 2016 were based on actual amounts compared to the three months ended September 30, 2015 that were based on estimates. Under the management agreement, we are required to reimburse our Manager for the costs of the wages, salaries, and benefits incurred by the Manager with respect to certain dedicated officers and employees that the Manager elects to provide to us.

Interest expense decreased by $9,482, primarily resulting from the repayment of all of our debt in 2015. There is no debt on the remaining legacy property.

General and administrative expenses decreased by $116,724, primarily as a result of the reversal of professional fees in the amount of $67,078 associated with a potential transaction, which the company determined it would no longer pursue during the quarter ended September 30, 2016. The company received a discount related to such previously incurred fees. Additionally, there was a decrease in financial outsourcing fees due to reduced activities as a result of the sale of all but one of the legacy properties in 2015. These decreases were offset by an increase in related party consulting fees to the Roberts Companies and equity compensation expense related to restricted stock, which was granted in October 2015.

Comparison of the nine months ended September 30, 2016 to 2015

The following table highlights our operating results and should be read in conjunction with the consolidated financial statements and the accompanying notes included in this Form 10-Q.

	Nine Months Ended September 30,		
	2016	**2015**	**Change**
Total Revenues	$ —	$ 432	$ (432)
Expenses:			
Property insurance and other expenses	10,429	33,846	(23,417)
Real estate taxes	13,203	60,197	(46,994)
Management fees, affiliate	296,953	279,721	17,232
Allocated salaries and other compensation, affiliate	410,935	363,636	47,299
Interest expense	—	398,830	(398,830)
General and administrative expenses	1,941,107	1,741,219	199,888
Depreciation expense	—	13,654	(13,654)
Total expenses	2,672,627	2,891,103	(218,476)
Other income:			
Gain on sale of assets	—	1,022,871	(1,022,871)
Net Loss	$ (2,672,627)	$ (1,867,800)	$ (804,827)

Net loss increased by $804,827 for the nine months ended September 30, 2016 when compared to the nine months ended September 30, 2015. This increase in net loss was due to the fact that there were no property sales during the nine months ended September 30, 2016 but was partially offset by a $218,476 decrease in expenses for the nine months ended September 30, 2016. We explain the major variances between the nine months ended September 30, 2016 and 2015 below.

Property insurance and other expenses consisting of utilities, repairs and maintenance, marketing, property insurance, and other expenses decreased by $23,417 primarily resulting from the sale of all but one of the legacy properties in 2015.

Real estate taxes decreased by $46,994, primarily as a result of the sales of the North Springs Land, which closed on December 17, 2015, the Bradley Park Land, which closed on December 4, 2015 and the Northridge Land, which closed on June 30, 2015.

Management fees, affiliate, increased by $17,232, primarily resulting from the management agreement, which became effective on January 30, 2015. The base management fee is equal to 1.50% per annum of our equity, as defined in the management agreement.

Allocated salaries and other compensation, affiliate, increased by $47,299, primarily due to the reimbursements for the nine months ended September 30, 2016 being based on actual amounts compared to the nine months ended September 30, 2015 that were based on estimates, and that the management agreement became effective on January 30, 2015. Under the management agreement, we are required to reimburse our Manager for the costs of the wages, salaries, and benefits incurred by the Manager with respect to certain dedicated officers and employees that the Manager elects to provide to us.

Interest expense decreased by $398,830, primarily resulting from the repayment of all of our debt in 2015. There is no debt on the remaining legacy property.

General and administrative expenses increased by $199,888, primarily resulting from the professional fees associated with a potential transaction, which the company determined it would no longer pursue as of September 30, 2016. Additionally, there were also increases in equity compensation expense related to the restricted stock, which was granted in October 2015 and financial outsourcing and audit and tax fees in 2016 as a result of the assistance provided in filing the Form 10-K for the year ended December 31, 2015 as well as the change of audit firm with higher fees. These increases were offset by a decrease in director fees as a result of one-time payments paid to members of our Board who resigned in connection with the A-III transaction in 2015, coupled with a decrease in salaries, professional fees, legal fees and reimbursements to Roberts Properties in 2015.

Depreciation expense decreased $13,654, as a result of us fully depreciating all furniture, fixtures and equipment in 2015.

Gain on sale of assets decreased by $1,022,871 due to the fact that there were no property sales during the nine months ended September 30, 2016. The gain on sale of assets for the nine months ended September 30, 2015 was associated with the sale of the Northridge Land parcel, which closed on June 30, 2015.

Liquidity and Capital Resources

Overview

We require capital to fund our operating activities. Our capital sources include our cash balance of $17,441,314 and future proceeds from the sale of our remaining legacy property.

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. At September 30, 2016, we had a cash balance of $17,441,314. We are currently using our cash balance to meet our short-term liquidity requirements, including general and administrative expenses, and funding the carrying costs of our remaining land parcel.

Our primary sources of funds for additional liquidity going forward will consist of proceeds from the sale of our one remaining legacy property and any investment income we earn from future investments. Our potential equity sources, depending on market conditions, consist of proceeds from capital market transactions (public and/or private) including the issuance of common, convertible and/or preferred equity securities.

We believe our existing sources of funds will be adequate for purposes of meeting our short-term liquidity needs. Our ability to meet our long-term liquidity and capital resource requirements is subject to obtaining additional debt and equity financing. Any decision by our lenders and investors to enter into such transactions with us will depend upon a number of factors, such as our financial performance, compliance with the terms of our existing or future credit arrangements, industry or market trends, the general availability of and rates applicable to financing transactions, such lenders' and investors' resources and policies concerning the terms under which they make such capital commitments and the relative attractiveness of alternative investment or lending opportunities.

Cash flows

Cash and cash equivalents were $17,441,314 and $6,834,979 at September 30, 2016 and 2015, respectively. The following presents a summary of our consolidated statements of cash flows for the nine months ended September 30, 2016 and 2015.

	Nine Months Ended September 30,	
	2016	**2015**
Net cash flow provided by (used in):		
Operating activities	$ (2,433,601)	$ (2,715,135)
Investing activities	—	5,590,750
Financing activities	—	3,721,097
Net (decrease) increase in cash and cash equivalents	$ (2,433,601)	$ 6,596,712

Nine Months Ended September 30, 2016 Compared to September 30, 2015

Net cash used in operating activities decreased by $281,534, primarily due to a decrease in property related expenditures as a result of the sale of all but one of our legacy properties in 2015, partially offset by an increase in costs associated with pursuing potential transactions.

Net cash provided by investing activities decreased by $5,590,750 due to the fact that there were no property sales during the nine months ended September 30, 2016. Net cash provided by investing activities for the nine months ended September 30, 2015 was primarily attributable to the sale of the Northridge Land parcel for $5,500,000, which closed on June 30, 2015.

Net cash provided by financing activities decreased by $3,721,097 due to the fact that there were no capital contributions and there was no debt outstanding during the nine months ended September 30, 2016. Net cash provided by financing activities for the nine months ended September 30, 2015 resulted from the $12,000,000 cash proceeds attributable to the closing of the A-III transaction and the $2,000,000 cash proceeds from the Northridge land loan, which were offset by the repayments of $10,020,000 of our land loans.

Capitalization

As of September 30, 2016, the company had 20,464,187 shares of common stock outstanding and 482,213 operating partnership units that could be exchanged for 794,237 shares of common stock, which are held by persons other than us.

Warrants

In connection with the A-III transaction, we issued warrants to purchase up to an additional 26,760,563 shares of our common stock at an exercise price of $1.42 per share to A-III ($38,000,000 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 four legacy 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 warrants expire on January 30, 2018. As of September 30, 2016, the warrants remained unexercised.

Contractual Obligations and Commitments

The following table summarizes our future estimated cash payments under existing contractual obligations as of September 30, 2016:

	Payments Due by Period				
	Total	Less than One Year	1-3 Years	3-5 Years	Thereafter
Allocated salaries and other compensation, affiliates[(1)]	$ 1,909,105	$ 244,105	$ 1,080,000	$ 585,000	—
Sublease of office space	16,354	8,177	8,177	—	—
Total	$ 1,925,459	$ 252,282	$ 1,088,177	$ 585,000	$ —

(1) We are required to reimburse our manager for salaries and other compensation of certain dedicated officers and employees that the Manager elects to provide to us.

The table above only includes the allocated salaries and other compensation due under our Management Agreement and does not include the base management fee, incentive fee, property management fee, acquisition fee and disposition fee as such obligations, discussed below, do not have fixed and determinable payments. See below and in Note 9 to the consolidated financial statements, included under Item 1 in this Form 10-Q for a discussion regarding our obligations pursuant to the Management Agreement.

Management Agreement

In connection with the recapitalization transactions with A-III, on January 30, 2015, the company entered into a Management Agreement with our Manager, which is a wholly-owned subsidiary of A-III, to among other things, provide for the day-to-day management of the company by the Manager, including investment activities and operations of the company and its properties. The Management Agreement requires the Manager to manage and administer the business activities and day-to-day operations of the company and all of its subsidiaries in conformity with the company's investment guidelines and other policies that are approved and monitored by the Board.

For the services to be provided by the Manager, we are required to pay the Manager the following fees:

- an annual base management fee equal to 1.50% of the company's "Equity" (as defined in the Management Agreement), calculated and payable quarterly in arrears in cash;
- a property management fee equal to 4.0% of the gross rental receipts received each month at the company's and its subsidiaries' properties, calculated and payable monthly in arrears in cash;
- an acquisition fee equal to 1.0% of the gross purchase price paid for any property or other investment acquired by the company or any of its subsidiaries, subject to certain conditions and limitations and payable in arrears in cash with respect to all such acquisitions occurring after the date of the Management Agreement;
- a disposition fee equal to the lesser of (a) 50% of a market brokerage commission for such disposition and (b) 1.0% of the sale price with respect to any sale or other disposition by the company or any of its subsidiaries of any property or other investment, subject to certain conditions and limitations and payable in arrears in cash with respect to all such dispositions occurring after the date of the agreement with certain exceptions (this disposition fee will not apply to the sale of the four legacy land parcels that the company owned as of January 30, 2015); and
- an incentive fee equal to 20% of the company's "Adjusted Net Income" (as defined in the Management Agreement) for the trailing four quarter period in excess of the "Hurdle Amount" (as defined in the Management Agreement), calculated and payable in arrears in cash on a rolling quarterly basis.

Effect of Floating Rate Debt

As of the filing date of this report, we have no outstanding indebtedness.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured investment vehicles, special purpose entities or variable interest entities, established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities or entered into any commitment or intend to provide additional funding to any such entities.

No Quarterly Dividends

We have not paid regular quarterly dividends since the third quarter of 2001, and we have no present plans to pay distributions or to resume paying regular quarterly dividends.

Inflation

Inflation in the United States has been relatively low in recent years and did not have a significant impact on the results of operations for the company's business for the periods shown in the unaudited consolidated financial statements. Although the impact of inflation has been relatively insignificant in recent years, it does remain a factor in the United States economy and could increase the cost of acquiring, selling, replacing or leasing properties in the future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

The company's management, with the participation of the company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon such evaluation, the company's Chief Executive Officer and Chief Financial Officer concluded that its disclosure controls and procedures were effective, as of September 30, 2016, to provide assurance that information that is required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified by the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control

We have enhanced our internal control over financial reporting subsequent to January 2015 by the addition of financial reporting and accounting personnel and the increase of financial and other resources resulting from the change in control transaction with A-III Investment Partners LLC. No changes were made to our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are 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 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.

The company, the operating partnership, and Highway 20 are not 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 Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors," in our Form 10-K for the year ended December 31, 2015 (which was filed with the SEC on March 15, 2016). 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.

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 Form 10-Q.

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of Roberts Realty Investors, Inc. filed with the Georgia Secretary of State on July 22, 2004. (Incorporated by reference to Exhibit 3.1 in our quarterly report on Form 10-Q for the quarter ended September 30, 2004.)
3.2	Articles of Amendment to Amended and Restated Articles of Incorporation of Roberts Realty Investors, Inc. to eliminate ownership limit, effective January 30, 2015. (Incorporated by reference to Exhibit 3.1 in our current report on Form 8-K dated February 2, 2015.)
3.3	Articles of Amendment to Amended and Restated Articles of Incorporation of Roberts Realty Investors, Inc. to change company name, effective January 30, 2015. (Incorporated by reference to Exhibit 3.1 in our current report on Form 8-K dated February 2, 2015.)
3.4	Amended and Restated Bylaws of Roberts Realty Investors, Inc. (Incorporated by reference to Exhibit 3.1 in our current report on Form 8-K dated February 4, 2008.)
3.5	Amendment to Amended and Restated Bylaws of Roberts Realty Investors, Inc. to give the Board of Directors the authority to fix the number of Directors at five or any greater number, effective January 30, 2015. (Incorporated by reference to Exhibit 3.1 in our current report on Form 8-K dated February 2, 2015.)

Exhibit No.	Description
10.1.1	Sales Contract dated October 7, 2016, by and between the Operating Partnership and Roberts Capital Partners, LLC, a Georgia limited liability company. (Incorporated by reference to Exhibit 10.1 in our current report on Form 8-K dated October 13, 2016.)
10.1.2	Extension of Governance and Voting Agreement, dated as of October 10, 2016, by and among the company, A-III Investment Partners LLC and Charles S. Roberts. (Incorporated by reference to Exhibit 10.1 in our current report on Form 8-K dated October 14, 2016.)
	Other Exhibits:
21	Subsidiaries of ACRE Realty Investors Inc. (Incorporated by reference to Exhibit 21 in our Annual Report on Form 10-K filed March 15, 2016).
31.1	Certification of Edward Gellert pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Mark E. 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 E. 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 ACRE Realty Investor Inc.’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets (unaudited); (ii) the Consolidated Statements of Operations (unaudited); (iii) the Consolidated Statements of Equity (unaudited); (iv) the Consolidated Statements of Cash Flows (unaudited); and (v) the Notes to the 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: November 9, 2016

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

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

Exhibit 31.1

Certification

I, Edward Gellert, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2016 of ACRE Realty Investors Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2016

/s/ Edward Gellert
Edward Gellert
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

Certification

I, Mark E. Chertok, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2016 of ACRE Realty Investors Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2016

/s/ Mark E. Chertok
Mark E. Chertok
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q for the period ended September 30, 2016 of ACRE Realty Investors Inc. (the "company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward Gellert, President and Chief Executive Officer of the company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: November 9, 2016

/s/ Edward Gellert
Edward Gellert

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q for the period ended September 30, 2016 of ACRE Realty Investors Inc. (the “company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark E. Chertok, Chief Financial Officer of the company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: November 9, 2016

/s/ Mark E. Chertok
Mark E. Chertok