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 June 30, 2017

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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 ☒
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 August 4, 2017
Common Stock, $.01 par value per share	20,494,631 shares

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements relate to future economic performance, plans and objectives of management for future operations, and projections of revenues and other financial items that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. The words "expect," "intend," "estimate," "anticipate," "believe," and similar expressions are intended to identify forward-looking statements. We make forward-looking statements in the notes to the unaudited 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 Plan of Dissolution (defined below). See our preliminary proxy statement on Schedule 14A filed with the Securities and Exchange Commission (the "SEC") on July 24, 2017 for a description of the Risk Factors to be considered by shareholders in deciding whether to approve the Plan of Dissolution. 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, 2016, for a description of some of the important factors that may affect actual outcomes.

The following are some of the risks and uncertainties, although not all of the risks and uncertainties, that could cause our actual results to differ materially from those presented in our forward-looking statements:

- We can give no assurance that we will be able to successfully implement the Plan of Dissolution and distribute the net proceeds from liquidation to our shareholders as we expect.
- We may face unanticipated delays or costs relating to our Plan of Dissolution, which may reduce or delay our payment of liquidating distributions.
- We can give no assurance regarding the timing of the completion of the Plan of Dissolution and the amount and timing of liquidating distributions to be received by our shareholders.
- We may face risks associated with legal proceedings, including shareholder litigation, that may be instituted against us related to the Plan of Dissolution.
- Disruptions in the financial markets and uncertain economic conditions could adversely affect the implementation of our Plan of Dissolution.
- If the Plan of Dissolution is not approved by our shareholders, we would owe our Manager management fees.

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)

	June 30, 2017	December 31, 2016
ASSETS		
Real estate asset held for sale	$ —	$ 4,283,385
Cash and cash equivalents	19,904,391	16,638,702
Other assets	197,116	125,436
Total assets	$ 20,101,507	$ 21,047,523
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 537,437	$ 479,683
Due to affiliates	207,699	217,076
Liabilities related to real estate asset held for sale	—	1,498
Total liabilities	745,136	698,257
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, 20,567,348 and 20,563,182 shares issued and 20,494,631 and 20,490,465 shares outstanding at June 30, 2017 and December 31, 2016, respectively	205,674	205,632
Additional paid-in capital	44,490,555	44,485,281
Treasury shares, at cost 72,717 shares both at June 30, 2017 and December 31, 2016	(71,332)	(71,332)
Accumulated deficit	(25,963,980)	(25,005,431)
Total ACRE Realty Investors Inc. shareholders' equity	18,660,917	19,614,150
Non-controlling interest – operating partnership	695,454	735,116
Total equity	19,356,371	20,349,266
Total liabilities and shareholders' equity	$ 20,101,507	$ 21,047,523

See notes to the unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Revenues:				
Total Revenues	$ —	$ —	$ —	$ —
Expenses:				
Property, insurance and other expenses	3,210	3,575	6,421	7,080
Real estate taxes	4,184	4,409	8,585	8,818
Management fees, affiliate	86,430	97,687	175,478	200,013
Allocated salaries and other compensation, affiliate	100,243	127,540	218,341	294,685
General and administrative expenses	406,841	950,825	1,018,403	1,577,397
Total Expenses	600,908	1,184,036	1,427,228	2,087,993
Other Income:				
Gain on sale of asset	432,793	—	432,793	—
Net Loss	(168,115)	(1,184,036)	(994,435)	(2,087,993)
Loss Attributable to Non-controlling Interest	(6,045)	(45,446)	(35,886)	(83,269)
Net Loss Attributable to Common Shareholders	$ (162,070)	$ (1,138,590)	$ (958,549)	$ (2,004,724)
Loss Per Common Share - Basic and Diluted (Note 5)				
Basic	$ (0.01)	$ (0.06)	$ (0.05)	$ (0.10)
Diluted	$ (0.01)	$ (0.06)	$ (0.05)	$ (0.10)

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, 2016	20,563,182	$205,632	$44,485,281	$ (71,332)	$ (25,005,431)	$ 19,614,150	$ 735,116	$20,349,266
Net loss	—	—	—	—	(958,549)	(958,549)	(35,886)	(994,435)
Amortization of share based compensation	—	—	1,540	—	—	1,540	—	1,540
Redemption of operating partnership units for common shares	4,166	42	4,874	—	—	4,916	(4,916)	—
Adjustment for non-controlling interest in the operating partnership	—	—	(1,140)	—	—	(1,140)	1,140	—
BALANCE AT JUNE 30, 2017	20,567,348	$205,674	$44,490,555	$ (71,332)	$ (25,963,980)	$ 18,660,917	$ 695,454	$19,356,371

See notes to the unaudited consolidated financial statements.

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

	Six Months Ended June 30,	
	2017	**2016**
Operating Activities:		
Net loss	$ (994,435)	$ (2,087,993)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on sale of real estate asset	(432,793)	—
Amortization of shared-based compensation	1,540	110,824
Changes in operating assets and liabilities:		
Increase in other assets	(71,680)	(53,949)
Decrease in due to affiliates	(9,377)	(17,080)
Increase in accounts payable and accrued expenses	56,256	450,382
Net cash used in operating activities	(1,450,489)	(1,597,816)
Investing Activities:		
Proceeds from sale of real estate asset	4,725,000	—
Costs related to the sale of real estate asset	(8,822)	—
Net cash provided by investing activities	4,716,178	—
Financing Activities:		
Net cash from financing activities	—	—
Net Increase (Decrease) in Cash and Cash Equivalents	3,265,689	(1,597,816)
Cash and Cash Equivalents, Beginning of Period	16,638,702	19,874,915
Cash and Cash Equivalents, End of Period	$ 19,904,391	$ 18,277,099
Supplemental Disclosure of Cash Flow Information:		
Cash paid for state taxes	$ 4,550	$ 5,356
Supplemental Schedule of Non-Cash Investing Activities and Financing Activities:		
Redemption of operating partnership units for common shares	$ 4,916	$ 169,667

See notes to the unaudited consolidated financial statements.

ACRE REALTY INVESTORS INC.
NOTES TO 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 96.41% and a 96.39% ownership interest in the operating partnership at June 30, 2017 and December 31, 2016, 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. As of June 30, 2017, all of these land parcels owned at January 30, 2015 had been sold and there were no post-closing adjustments to the number of shares of our common stock previously issued to A-III or 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, A-III and Charles S. Roberts ("Mr. Roberts"), Roberts Realty Investors, Inc.'s chairman and chief executive officer, entered into a Governance and Voting Agreement, dated January 30, 2015 (the "Governance and Voting Agreement") and the company and Mr. Roberts entered into an employment agreement pursuant to which Mr. Roberts was appointed and employed by the company to serve as an Executive Vice President of our company. Pursuant to two extension agreements, the Governance and Voting Agreement and Employment Agreement were extended until December 31, 2016. On December 31, 2016, the Employment Agreement expired and Mr. Roberts ceased to be an officer or employee of our company, but remained a member of our board of directors (the "Board") through April 4, 2017, the effective date of Mr. Roberts' resignation from the Board. As a result of his resignation from the Board, all rights and obligations of Mr. Roberts under the Governance and Voting Agreement, dated January 30, 2015, as further amended, were terminated upon his resignation.

Plan of Dissolution

On June 26, 2017, in light of management's recommendation and other factors described below, the Board approved the company's voluntary dissolution and liquidation pursuant to a plan of dissolution (the "Plan of Dissolution"). As of June 30, 2017, the company has sold all of its legacy properties and as such, virtually, all of its assets consist of cash resulting from the sale of these legacy properties. Management and the company's advisors, under the oversight of our Board, have explored strategic alternatives to enhance shareholder value but the process to date has not yielded any opportunities viewed by the company's Board as reasonably likely to provide greater realizable value to the shareholders. In addition, management informed the company's Board that, absent public announcement of a transaction that would result in the company becoming or acquiring an operating company, the NYSE MKT was expected to commence proceedings to suspend trading and delist its common stock. Accordingly, the company's management and Board concluded that the voluntary dissolution and liquidation of the company pursuant to the Plan of Dissolution, subject to the shareholders' approval, is in the best interests of the company and its shareholders. The principal purpose of the Plan of Dissolution is to maximize shareholder value by distributing the net proceeds from liquidation to the company's shareholders. As the Plan of Dissolution requires approval of the affirmative vote of three-quarters of all of the shareholders entitled to vote on the matter, there can be no assurance that the Plan of Dissolution will be approved by the company's shareholders.

The liquidation process and the amount and timing of any future liquidating distributions paid to shareholders involves risks and uncertainties. Accordingly, it is not possible to predict the timing of any future liquidating distributions or the aggregate amount which will ultimately be distributed to shareholders.

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, 2016 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, 2016 consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis. The company will adopt the liquidation basis of accounting once the Plan of Dissolution is approved by the shareholders.

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. The company classifies real estate assets as held for sale after the following conditions have been satisfied: (i) receipt of approval from its 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.

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/or other applicable valuation techniques. As of June 30, 2017, the company had sold all its real estate assets.

The company recognizes gains on the sales of assets when the sale has closed, title has passed to the buyer, adequate initial and continuing investment by the buyer is received and other attributes of ownership have been transferred to the buyer. All of these conditions are typically met at or shortly after closing. 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.

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.

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 adjusted 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.

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."

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("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. In December 2016, the FASB issued an update ("ASU No. 2016-20") to ASC 606, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which provides technical corrections and improvements to clarify Topic 606 or to correct unintended application of Topic 606. In February 2017, the FASB issued an update ("ASU No. 2017-05"), *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20),* which clarifies the scope of asset derecognition guidance and accounting for partial sales of nonfinancial assets and simplifies GAAP for derecognition of a business or nonprofit activity by eliminating several accounting differences between transactions involving assets and transactions involving businesses. The company is currently evaluating the impact of the adoption of these ASUs on the company's consolidated financial statements.

In February 2016, the FASB issued an update ("ASU 2016-02") establishing ASC Topic 842, *Leases*, 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 for annual reporting periods beginning after December 15, 2018, 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 adoption of this update beginning January 1, 2017 did not impact the company's consolidated financial statements.

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 has evaluated the impact that this guidance will have on the company's consolidated financial statements and related disclosures and determined it will not have a material impact.

In November 2016, the FASB issued an update ("ASU 2016-18"), *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. ASU 2016-18 provides guidance on the classification and presentation of restricted cash in the statement of cash flows. Under the new guidance, restricted cash will be included in the cash and cash equivalent balances in the statement of cash flows. This guidance is effective for fiscal years beginning after December 31, 2017, including interim periods within those fiscal years. Early adoption is permitted. The company has evaluated the impact that this guidance will have on the company's consolidated financial statements and related disclosures and determined it will not have a material impact.

In January 2017, the FASB issued an update ("ASU 2017-01"), *Clarifying the Definition of a Business to ASC Topic 805, Business Combinations*. ASU 2017-01 clarifies the definition of a business when evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This guidance is effective prospectively for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for transactions that occurred before the issuance date or effective date of the standard if the transactions were not reported in financial statements that have been issued or made available for issuance. The adoption of this ASU 2017-01 will result in less real estate acquisitions qualifying as businesses and, accordingly, acquisition costs for those acquisitions that are not businesses will be capitalized rather than expensed. The company has early adopted this new guidance beginning January 1, 2017 and had no impact on the company's consolidated financial statements when adopted.

In May 2017, the FASB issued an update ("ASU 2017-09"), *Compensation – Stock Compensation (Topic 718), Scope of Modification Accounting*. ASU 2017-09 clarifies which changes to the terms or conditions of share-based payment awards require an entity to apply modification accounting. Modification accounting should be applied unless all of the following have been met. The fair value of the modified award is the same as the fair value of the original award, the vesting condition of the modified award is the same as the vesting condition of the original award and the classification as an equity instrument or liability instrument of the modified award is the same as the classification of the original award immediately before the original award was modified. This guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2017. Early adoption is permitted. The amendments should be applied prospectively to an award modified on or after the adoption date. The company is evaluating the impact that this guidance will have on the company's consolidated financial statements and related disclosures.

3. REAL ESTATE ASSET HELD FOR SALE

As of December 31, 2016, 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 was classified as held for sale. 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. On June 28, 2017, the company completed the sale of Highway 20 at a gain of $432,793. As a result of this sale, the company has no assets held for sale as of June 30, 2017.

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

	December 31, 2016
Real Estate Asset Held for Sale	$ 4,283,385
Liabilities Related to Real Estate Asset Held For Sale	$ 1,498

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 June 30, 2017 and December 31, 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 3.60% and 4.19% for the six months ended June 30, 2017 and 2016. There were 463,729 units and 466,259 units outstanding at June 30, 2017 and December 31, 2016, respectively. The equity balance of the non-controlling interest of the unitholders was $695,454 at June 30, 2017 and $735,116 at December 31, 2016.

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 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. As of June 30, 2017, all of these land parcels owned at January 30, 2015 had been sold and there were no post-closing adjustments to the number of shares of common stock previously issued to A-III or 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 June 30, 2017, the warrants remained unexercised.

Redemption of Units for Shares. In accordance with the conversion factor explained in Note 4, "Non-controlling Interest – Operating Partnership," 2,530 OP Units were redeemed for 4,166 shares of the company's common stock for the six months ended June 30, 2017, and 87,366 OP Units were redeemed for 143,897 shares of the company's common stock for the twelve months ended December 31, 2016. 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 six months ended June 30, 2017 and the year ended December 31, 2016, 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. Prior to its expiration on August 21, 2016, the Plan provided for the grant of stock awards to employees, directors, consultants, and advisors. Under the Plan, as amended, the company could 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 could be granted to any one individual during the term of the Plan should not exceed 20% of the aggregate number of shares of restricted stock that could be issued. The Plan was 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 or will be accelerated in connection with the Plan of Dissolution. Compensation expense related to restricted stock was $1,540 and $110,824 for the six months ended June 30, 2017 and 2016, respectively. On June 30, 2017, the company had unamortized compensation expense of $6,990 which is expected to be recognized over a weighted average period of 0.28 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 June 30, 2017, 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 additional shares for the six months ended June 30, 2017 and 2016.

Earnings Per Share. The following table shows the reconciliation of 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 June 30,		Six Months Ended June 30,	
Numerator	2017	2016	2017	2016
Net loss attributable to common shareholders – basic	$ (162,070)	$ (1,138,590)	$ (958,549)	$ (2,004,724)
Loss attributable to non-controlling interest	(6,045)	(45,446)	(35,886)	(83,269)
Net loss – diluted	$ (168,115)	$ (1,184,036)	$ (994,435)	$ (2,087,993)
Denominator				
Weighted average number of common shares – basic	20,434,494	20,318,219	20,432,490	20,262,828
Effect of potential dilutive securities:				
Weighted average operating partnership units, assuming conversion of all units to common shares	763,930	820,205	765,934	853,288
Weighted average number of common shares – diluted[(a)]	21,198,424	21,138,424	21,198,424	21,116,116

(a) Due to the net loss for the three and six months ended June 30, 2017 and 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 six months ended June 30, 2017 and 2016.

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 June 30, 2017. 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, 2016. The consolidated effective tax rate was zero for the three and six months ended June 30, 2017 and 2016. In addition, the company had a taxable loss in each of the quarterly periods ended June 30, 2017 and 2016, 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: At December 31, 2016, Highway 20 was carried at the lower of the carrying amount or fair value, less the estimated selling costs. The sale of Highway 20 closed on June 28, 2017.

- 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 June 30, 2017 and December 31, 2016. From time to time, we record certain assets at fair value on a nonrecurring basis when there is evidence of impairment. There was no impairment charge on Highway 20 during the six months ended June 30, 2017 and 2016. As December 31, 2016, Highway 20 was carried at net realizable value. We determined the fair value of Highway 20 based on market data of comparable transactions, which are classified as Level 3 inputs.

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. Prior to the sale of Highway 20 on June 28, 2017, the company had operated in a single reportable segment, which was the ownership and management of real estate assets. As of June 30, 2017, there was no reportable segment.

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 the company 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 Management Agreement with certain exceptions (this disposition fee does not apply to the sale of the four legacy land parcels that the company owned as of January 30, 2015); 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 of the recapitalization transaction 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 of the recapitalization transaction (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, if any, 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.

After 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 Employees (as defined in the Management Agreement) 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 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 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 Employees of the Manager and its affiliates by the company, or reimbursed by the company to the Manager in respect thereof, will not 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.

In light of the Plan of Dissolution, as discussed above, and in order to assist the company in preserving cash for future distributions to the company's shareholders, the Manager has agreed, commencing June 27, 2017, and subject to approval by the company's shareholders of the Plan of Dissolution, to waive the management fees and certain expense reimbursements that the Manager is entitled to receive from the company under the management agreement between the company and the Manager. For the three and six months ended June 30, 2017 and 2016, the company incurred base management fees of $86,430, $175,478, $97,687 and $200,013, respectively, which were classified in management fee, affiliate 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 six months ended June 30, 2017 and 2016, the company reimbursed expenses of $100,243, $218,341, $127,540 and $294,685, respectively, which were classified in allocated salaries and other compensation, affiliate in the consolidated statements of operations. Also, during the three and six months ended June 30, 2017, the company reimbursed the Manager out of pocket travel expenses of $21,026 of the Manager on the company's behalf, which were included in general and administrative expenses in the consolidated statements of operations. At June 30, 2017 and December 31, 2016, the unpaid portion of the base management fee and, reimbursable allocated expenses in the amount of $207,768 and $216,991, respectively, was recorded in due to affiliates in the consolidated balance sheets.

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 $68 for the three and six months ended June 30, 2016. There were no cost reimbursements to Robert Construction for the three and six months ended June 30, 2017. These cost reimbursements were recorded in general and administrative expenses in the consolidated statement of operations.

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 June 30, 2017. 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. Roberts' Employment Agreement, which expired December 31, 2016, Mr. Roberts agreed to supervise the disposition of the remaining legacy property. Affiliates of Mr. Roberts provided services to the company in connection with the sale of such property through December 31, 2016. Prior to the expiration of Mr. Roberts' Employment Agreement, the company reimbursed the Roberts Companies the fees and costs for such services, which is included in the disclosure below and will be considered selling costs for purposes of the true-up arrangement under the Stock Purchase Agreement. Following the expiration of Mr. Roberts' Employment Agreement on December 31, 2016, the company was no longer obligated to incur fees and costs for such services and accordingly, during the three months and six months ended June 30, 2017 did not incur any such fees or costs.

Under these arrangements, the company incurred costs with Roberts Properties of zero, $296, $27,310 and $44,357 for the three and six months ended June 30, 2017 and 2016, 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 for the six months ended June 30, 2016 for the company's operating costs and other related expenses paid by Roberts Properties. There were no cost reimbursements during the three months ended June 30, 2017 and 2016, and six months ended June 30, 2017. At June 30, 2017 and December 31, 2016, the unpaid portion of these costs was zero and $85, respectively, which were recorded in due to affiliates in the consolidated balance sheets.

Sale of Highway 20. On June 28, 2017, the company closed on the sale of Highway 20 to Roberts Capital Partners, LLC, which is an affiliate of Mr. Roberts, who was a director of the company until his resignation on April 4, 2017. The company's Audit Committee approved the transaction in accordance with the committee's charter and in compliance with applicable listing rules of the Exchange. The Board also approved the transaction in accordance with its Code of Business Conduct and Ethics. See Note 3, "Real Estate Held for Sale," for details of the transaction.

Sublease of Office Space. The company was under a sublease agreement for 1,817 square feet of office space with Roberts Capital Partners, LLC from April 7, 2014 to April 7, 2017. Roberts Capital Partners, LLC is owned by Mr. Roberts. The terms of the sublease agreement were the same terms that Roberts Capital Partners, LLC has with the unrelated third party landlord. Roberts Capital Partners, LLC was 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. The company paid a security deposit of $20,577 upon the execution of the lease. This security deposit was subsequently used to pay the monthly rent due beginning September 2016 through the end of the lease term. During the three and six months ended June 30, 2017 and 2016, the company incurred rent expense of $1,498, $9,692, $8,838 and $16,737, respectively, which was recorded in general and administrative expenses in the consolidated statements of operations.

Governance and Voting Agreement and Employment Agreement. Upon the closing of the A-III transaction, Charles S. Roberts, who previously served as the company's Chairman, President and Chief Executive Officer, was appointed as an Executive Vice President, and served in such role through December 31, 2016, pursuant to an Employment Agreement, which expired on December 31, 2016, at which time Mr. Roberts ceased to be an officer or employee of our company, but remained a member of our Board through April 4, 2017, the effective date of Mr. Roberts' resignation from the Board. As a result of his resignation from the Board, all rights and obligations of Mr. Roberts under the Governance and Voting Agreement, dated January 30, 2015, as further amended, were terminated upon his resignation.

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 property has 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 with the related party.

See Note 11, "Subsequent Events," for details regarding a books and records request from certain shareholders.

11. SUBSEQUENT EVENTS

The company has engaged external counsel to assist the company in responding to a letter received on July 26, 2017 from a lawyer representing four of the Company's shareholders who demand to inspect certain books and records of the company. On August 2, 2017, the company delivered, through its external counsel, a response to the demand letter and the company is coordinating with external counsel to deliver information in response to the demand.

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, 2016 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 of June 28, 2017, all of these land parcels owned at January 30, 2015 were sold and there were no post-closing adjustments to the common shares issued or to the common shares issuable upon exercise of the warrants.

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 June 30, 2017 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, and served in such role through December 31, 2016, pursuant to an Employment Agreement, which expired on December 31, 2016, at which time Mr. Roberts ceased to be an officer or employee of our company, but remained a member of our Board through April 4, 2017, the effective date of Mr. Roberts' resignation from the Board. As a result of his resignation from the Board, all rights and obligations of Mr. Roberts under the Governance and Voting Agreement, dated January 30, 2015, as further amended, were terminated upon his resignation.

The Operating Partnership

We conduct our business through ACRE Realty LP which 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 June 30, 2017, owned a 96.41% 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.

Plan of Dissolution

On June 26, 2017, in light of management’s recommendation and other factors described below, the Board approved the Plan of Dissolution. As of June 30, 2017, we have sold all of our legacy properties and as such, virtually, all of our assets consist of cash resulting from the sale of these legacy properties. Management and our advisors, under the oversight of our Board, have explored strategic alternatives to enhance shareholder value but the process to date has not yielded any opportunities viewed by our Board as reasonably likely to provide greater realizable value to shareholders. In addition, management informed our Board that, absent public announcement of a transaction that would result in the company becoming or acquiring an operating company, the NYSE MKT was expected to commence proceedings to suspend trading and delist our common stock. Accordingly, our Board has concluded that the voluntary dissolution and liquidation of the company pursuant to the Plan of Dissolution, subject to shareholder approval, is in the best interests of the company and our shareholders. The principal purpose of the Plan of Dissolution is to maximize shareholder value by distributing the net proceeds from liquidation to the company’s shareholders. As the Plan of Dissolution requires approval of the affirmative vote of three-quarters of all of the shareholders entitled to vote on the matter, there can be no assurance that the Plan of Dissolution will be approved by the company’s shareholders.

If the Plan of Dissolution is approved by our shareholders, we expect to make an initial distribution of a portion of our cash as soon as practicable. We will distribute our remaining cash in subsequent distributions. We cannot predict the precise amount or timing of these subsequent liquidating distributions. The timing and amount of liquidating distributions will depend upon the actual expenses incurred; the timing of the satisfaction, settlement or rejection of all obligations of the company; and the amount to be paid in satisfaction of such obligations. Although our Board has not established a firm timetable for liquidating distributions, subject to contingencies inherent in winding up our business, our Board intends to make such distributions as promptly as practicable.

On June 29, 2017, we received notice that the NYSE MKT had determined to immediately suspend trading in our common stock and commence proceedings to delist our common stock. In its decision to commence delisting proceedings, the NYSE MKT cited Section 1002(c) of the NYSE MKT Company Guide, which applies when a company has sold or otherwise disposed of its principal operating assets, or has ceased to be an operating company. We have a right to a review of the NYSE MKT’s determination to delist our common stock by a committee of the Board of Directors of the NYSE MKT. We do not intend to exercise this right at this time, and we do not expect our common stock to be listed for trading again, including on one of the OTC markets.

Critical Accounting Policies and Estimates

Refer to the section of our Annual Report on Form 10-K for the year ended December 31, 2016 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 six months ended June 30, 2017.

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 June 30, 2017 to 2016

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 June 30,		
	2017	**2016**	**Change**
Total Revenues	$ —	$ —	$ —
Expenses:			
Property, insurance and other expenses	3,210	3,575	(365)
Real estate taxes	4,184	4,409	(225)
Management fees, affiliate	86,430	97,687	(11,257)
Allocated salaries and other compensation, affiliate	100,243	127,540	(27,297)
General and administrative expenses	406,841	950,825	(543,984)
Total expenses	600,908	1,184,036	(583,128)
Other income:			
Gain on sale of asset	432,793	—	432,793
Net Loss	$ (168,115)	$ (1,184,036)	$ 1,015,921

Net loss decreased by $1,015,921 for the three months ended June 30, 2017 when compared to the three months ended June 30, 2016 primarily as a result of the decrease in overall expenses for the three months ended June 30, 2017 and the gain recognized in June 2017 from the sale of Highway 20, our only remaining property, prior to its sale. We explain the major variances between the three months ended June 30, 2017 and 2016 below.

Management fees, affiliate, decreased by $11,257 primarily as a result of the continued reduction in the fee computation base which is attributable to the company's operating losses. 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 $27,297, primarily due to lower allocated time by certain dedicated officers. 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.

General and administrative expenses decreased by $543,984, primarily as a result of the decrease in professional fees by $387,666, as the company, as of June 30, 2017, had ceased pursuing three potential acquisition transactions initiated between January 2016 and June 2017. In addition to the decrease in professional fees, general and administrative expenses decreased as a result of (a) no accrual of the 2017 audit fee coupled with the reversal of the prior quarter's accrued audit fees in light of the Board's Plan of Dissolution, which reduced accounting and tax fees by $74,491, (b) the termination of Mr. Roberts's employment in December 2016, which caused payroll and related taxes to decrease by $62,500, (c) reduced activities as a result of the sale of all our legacy properties, which decreased our financial outsourcing fees by $44,258 and reimbursements to Robert Companies by $27,310, and (d) a $40,741 decrease in equity compensation expense related to the restricted stock, of which only one-third of the shares granted were unvested. The total decrease was partially offset by an increase in legal fees by $65,241, which was related to the Plan of Dissolution and other corporate matters, and an increase in director fees by $35,645 as a result of the increased number of meetings and the re-formation of a special committee of our Board who was responsible for reviewing and evaluating the potential liquidation and delisting of the company from the NYSE MKT exchange. The members of the special committee received an aggregate fee of $45,000 in February 2017 for their services relating to a potential acquisition transaction and a $1,000 fee for each meeting held.

Gain on sale of asset relates to the sale of Highway 20 in June 2017.

Comparison of the six months ended June 30, 2017 to 2016

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.

	Six Months Ended June 30,		
	2017	**2016**	**Change**
Total Revenues	$ —	$ —	$ —
Expenses:			
Property, insurance and other expenses	6,421	7,080	(659)
Real estate taxes	8,585	8,818	(233)
Management fees, affiliate	175,478	200,013	(24,535)
Allocated salaries and other compensation, affiliate	218,341	294,685	(76,344)
General and administrative expenses	1,018,403	1,577,397	(558,994)
Total expenses	1,427,228	2,087,993	(660,750)
Other income:			
Gain on sale of asset	432,793	—	432,793
Net loss	$ (994,435)	$ (2,087,993)	$ 1,093,558

Net loss decreased by $1,093,558 for the six months ended June 30, 2017 when compared to the six months ended June 30, 2016 primarily as a result of the decrease in overall expenses for the six months ended June 30, 2017 and the gain recognized in June 2017 from the sale of Highway 20, our only remaining property, prior to its sale. We explain the major variances between the six months ended June 30, 2017 and 2016 below.

Management fees, affiliate, decreased by $24,535 primarily as a result of the continued reduction in the fee computation base which is attributable to the company's operating losses. The base management fee was equal to 1.50% per annum of our equity, as defined in the management agreement.

Allocated salaries and other compensation, affiliate, decreased by $76,344, primarily due to lower allocated time by certain dedicated officers. 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.

General and administrative expenses decreased by $558,994, primarily as a result of the decrease in professional fees by $256,742, as the company, as of June 30, 2017, had ceased pursuing three potential acquisition transactions initiated between January 2016 and June 2017. In addition to the decrease in professional fees, general and administrative expenses decreased as a result of (a) the termination of Mr. Roberts's employment in December 2016, which caused payroll and related taxes to decrease by $125,000, (b) a $109,283 decrease in equity compensation expense related to the restricted stock, of which only one-third of the shares granted were unvested, (c) reduced activities as a result of the sale of all our legacy properties, which decreased our financial outsourcing fees by $107,599 and reimbursements to Robert Companies by $44,061, and (d) no accrual of the 2017 audit fee in light of the Board's Plan of Dissolution, which reduced accounting and tax fees by $74,521. The total decrease was partially offset by an increase in director fees by $117,645, as a result of the increased number of meetings and the formation of a special committee of our Board who was responsible for reviewing and evaluating one of the potential acquisition transactions and the potential liquidation and delisting of the company from the NYSE MKT exchange, and an increase in legal fees by $49,495 which was related to the Plan of Dissolution and other corporate matters. The members of the special committee received an aggregate fee of $45,000 in February 2017 for their services relating to the potential acquisition transaction and a $1,000 fee for each meeting held.

Gain on sale of assets related to the sale of Highway 20 in June 2017.

Liquidity and Capital Resources

Overview

We require capital to fund our operating activities. Our capital sources currently consist of our cash balance of $19,904,391 derived from the sale of our legacy properties.

Short- and Long-Term Liquidity Outlook

As of June 30, 2017, we have sold all our legacy properties. Virtually all of our assets consist of cash resulting from the sale of these legacy properties, which has a balance of $19,904,391 as of June 30, 2017, and we had no mortgage debt at June 30, 2017 or December 31, 2016. Our principal demands for funds during the short- and long-term are and will be for the payment of operating expense and general and administrative expenses, including expenses in connection with the Plan of Dissolution, if approved by our shareholders, and the payment of liquidating distributions to shareholders.

As described above under "– Overview – Plan of Dissolution," the Board approved the voluntary dissolution of the company. If the Plan of Dissolution is approved by our shareholders, we expect to pay all of our known liabilities, provide for unknown liabilities and distribute the net proceeds from liquidation to our shareholders. There can be no assurances regarding the amounts of any liquidating distributions or the timing thereof. However, we intend to make an initial distribution of a portion of our cash as soon as practicable after approval of the Plan of Dissolution.

Cash Flows

Cash and cash equivalents were $19,904,391 and $18,277,099 at June 30, 2017 and 2016, respectively. The following presents a summary of our consolidated statements of cash flows for the six months ended June 30, 2017 and 2016.

	Six Months Ended June 30,	
	2017	**2016**
Net cash flow provided by (used in):		
Operating activities	$ (1,450,489)	$ (1,597,816)
Investing activities	4,716,178	—
Financing activities	—	—
Net increase (decrease) in cash and cash equivalents	$ 3,265,689	$ (1,597,816)

Six Months Ended June 30, 2017 Compared to June 30, 2016

Net cash used in operating activities decreased by $147,327, primarily as a result of a decrease in costs associated with pursuing three potential acquisition transactions.

Net cash provided by investing activities increased by $4,716,178 primarily as a result of the sale of Highway 20 in June 2017.

Capitalization

As of June 30, 2017, the company had 20,494,631 shares of common stock outstanding and 463,729 operating partnership units that could be exchanged for 763,793 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 our 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. The warrants expire on January 30, 2018. As of June 30, 2017, these warrants remained unexercised. As of June 30, 2017, all of these land parcels owned at January 30, 2015 had been sold and there were no post-closing adjustments to the number of shares of our common stock previously issued to A-III or issuable upon exercise of the warrants.

Contractual Obligations and Commitments

The following table summarizes our future estimated cash payments under existing contractual obligations as of June 30, 2017:

	Payment Due by Period				
	Total	Less than One Year	1-3 Years	3-5 Years	Thereafter
Allocated salaries and other compensation, affiliate (1)	$ 100,243	$ 100,243	$ —	$ —	$ —

(1) We are required to reimburse our manager for salaries and other compensation of certain Dedicated 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 with respect to 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 does 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.

In light of the Plan of Dissolution, as discussed above, and in order to assist the company in preserving cash for future distributions to the company's shareholders, the Manager has agreed, commencing June 27, 2017, and subject to approval by the company's shareholders of the Plan of Dissolution, to waive the management fees and certain expense reimbursements that the Manager is entitled to receive from the company under the management agreement between the company and the Manager.

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 June 30, 2017, 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

There were no changes in our internal control over financial reporting during the three months ended June 30, 2017 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 and the operating partnership 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, 2016 (which was filed with the SEC on March 9, 2017) and in our preliminary proxy statement on Schedule 14A (which was filed with the SEC on July 24, 2017). 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
2.1	Plan of Dissolution of ACRE Realty Investors Inc. (incorporated by reference to Appendix A to Schedule 14A filed July 24, 2017).
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
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 June 30, 2017 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: August 9, 2017

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 June 30, 2017 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: August 9, 2017

/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 June 30, 2017 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: August 9, 2017

/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 June 30, 2017 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: August 9, 2017

/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 June 30, 2017 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: August 9, 2017

/s/ Mark E. Chertok
Mark E. Chertok