

PREFERRED APARTMENT COMMUNITIES, INC.

CODE OF BUSINESS CONDUCT AND ETHICS

As adopted by the Board of Directors as of December 4, 2010

Preferred Apartment Communities, Inc. (the “Company”) is dedicated to maintaining the highest integrity and standards of ethics. We will treat our tenants, property managers, suppliers, employees, shareholders and the community with honesty, dignity, fairness and respect.

This Code applies to directors, officers and employees of the Company, the personnel of Preferred Apartment Advisors, LLC (the “Manager”), and other agents of the Company who provide services to the Company (“Covered Persons” or “you”). We expect Covered Persons to act responsibly and in accordance with the highest standards of personal and professional integrity in all aspects of their business activities and to comply with all applicable laws and regulations and our policies.

This Code supplements our other applicable policies. If you have questions regarding this Code, you should contact any of the following: your supervisor, the director of internal audit, the members of our Audit Committee or an executive officer of the Company.

A. Compliance with Laws and Regulations

The Company is committed to full compliance with the laws and regulations of the cities, states and countries in which it operates. You must comply with all applicable laws, rules and regulations in performing your duties for or on behalf of the Company. Numerous federal, state and local laws and regulations define and establish obligations with which the Company, its employees and agents must comply. If you violate these laws or regulations in performing your duties for or on behalf of the Company, you not only risk individual indictment, prosecution and penalties, and civil actions and penalties, you also subject the Company to the same risks and penalties. If you violate these laws in performing your duties for or on behalf of the Company, you may be subject to immediate disciplinary action, including possible termination of employment or affiliation with the Company.

This Code highlights a few laws and issues, but does not attempt to cover every circumstance which may arise. Although not all Covered Persons are expected to know the details of all laws, it is important to know enough to determine when to seek advice from supervisors, managers, or other appropriate personnel. As explained below, Covered Persons should always consult a manager or the Company’s general counsel with any questions about the legality of conduct.

B. Full, Fair, Accurate, Timely and Understandable Disclosure

It is of paramount importance to the Company that all disclosure in reports and documents that the Company files with, or submits to, the SEC, and in other public

communications made by the Company is full, fair, accurate, timely and understandable. All Covered Persons must take all steps available to assist the Company in these responsibilities. In particular, you are required to provide prompt and accurate answers to all inquiries in connection with the preparation of our public reports and disclosure. In addition, the Company requires cooperation and open communication with our internal and external auditors. It is illegal to take any action to fraudulently influence, coerce, manipulate or mislead any internal or external auditor engaged in the performance of an audit of our financial statements.

C. Insider Trading

All Covered Persons are prohibited under both federal law and Company policy from purchasing or selling Company stock, directly or indirectly, on the basis of material non-public information concerning the Company. Any person possessing material non-public information about the Company must not engage in transactions involving Company securities until this information has been released to the public. Generally, material information is that which would be expected to affect the investment decisions of a reasonable investor or the market price of the stock. All Covered Persons must also refrain from trading in the stock of other publicly held companies, such as existing or potential customers or suppliers, on the basis of material confidential information obtained in the course of service with the Company. It is also illegal to recommend a stock to (i.e., “tip”) someone else on the basis of such information. Please refer to the Company’s Insider Trading Policy for additional details. Questions concerning appropriateness or legality of a particular securities transaction should be directed to the Company’s general counsel.

D. Conflicts of Interest

A “conflict of interest” exists when a person’s private interest interferes in any way with the interests of the Company. A conflict situation can arise when you take actions or have interests that may make it difficult to perform your Company work objectively and effectively. Conflicts of interest may also arise when you or a member of your family, receives improper personal benefits as a result of your services to the Company. Loans or guarantees of obligations of Covered Persons may create conflicts of interest, and in some cases, may violate federal securities laws.

It is almost always a conflict of interest for a Covered Person to work simultaneously for a competitor, customer or supplier. The best policy is to avoid any direct or indirect business connection with our competitors, customers or suppliers, except on the Company’s behalf.

Conflicts of interest are prohibited as a matter of Company policy, except as allowed under guidelines set forth in our charter, By-Laws or approved by the Conflicts Committee of the Board of Directors. All contracts and transactions between the Company, on the one hand, and any Covered Person or any entity in which such Covered

Person is a director or has a material financial interest, on the other hand, must be reviewed and approved by the Conflicts Committee.

While Covered Persons are encouraged to participate in civic, charitable or professional activities, those activities must not interfere with job duties. A Covered Person must not use the Company's name in connection with an outside activity or entity without first obtaining the approval of the Board of Directors.

Conflicts are not always clear-cut. If a Covered Person becomes aware of a conflict described above or any other conflict, potential conflict, or has a question as to a potential conflict, he or she should consult with the Company's general counsel. If a Covered Person becomes involved in a situation that gives rise to an actual conflict, he or she **must** inform the Company's general counsel of the conflict, who will seek guidance from our Board of Directors and/or the Conflicts Committee.

E. Corporate Opportunities

All Covered Persons owe a duty to the Company not to compromise our legitimate interests and to advance such interests when the opportunity to do so arises in the course of services to or on behalf of the Company. Except as set forth in our charter and by-laws, all Covered Persons are prohibited from taking (or directing to a third party) a business opportunity that is discovered through the use of corporate property, information or position, unless the Company has already been offered the opportunity and turned it down. More generally, Covered Persons are prohibited from using corporate property, information or position for personal gain and from competing with the Company.

Sometimes the line between personal and Company benefits is difficult to draw, and sometimes there are both personal and Company benefits in certain activities. Covered Persons who intend to make use of Company property or services in a manner not solely for the benefit of the Company should consult beforehand with the Company's general counsel, who may seek guidance from our Board of Directors and/or the Conflicts Committee.

F. Confidentiality

Each Covered Person must maintain the confidentiality of such information entrusted to that person by the Company, its customers and its suppliers, except when disclosure is authorized by the Company or required by law. Confidential information includes proprietary information such as business plans, marketing plans, investing targets and strategies, acquisition and development ideas, trade secrets, investment, databases, records, salary information and unpublished financial data and reports, as well as any non-public information that might be of use to competitors or harmful to the Company or its joint venture partners or other third parties with whom the Company does business if disclosed.

The obligation with respect to confidential information extends beyond the workplace. In that respect, it applies to communications with family members and continues to apply even after the relationship with the Company terminates.

G. Fair Dealing

We seek to outperform the competition fairly and honestly. We pursue competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent or inducing such disclosures by past or present employees of other companies is prohibited. Each Covered Person should respect the rights of and deal fairly with our customers, suppliers, brokers, and competitors. No Covered Person should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other intentional unfair-dealing practice.

In addition, agreements and practices in restraint of trade such as price fixing, boycotting suppliers or customers, predatory pricing intended to run a competitor out of business, unfair competition, and attempts to monopolize may be prohibited under antitrust and trade regulation laws. The purpose of these laws is to promote vigorous, free, and open competition in the marketplace and violations may result in severe penalties for the Company and individual Covered Persons, including substantial fines and even prison sentences. In order to comply with the U.S. antitrust laws, Covered Persons may not (i) discuss pricing or related matters with competitors, (ii) agree with competitors to divide or allocate customers, markets or territories, (iii) agree with anyone not to deal with another company or (iv) force a customer to buy one product in order to get another product. Covered Persons should consult with the Company's general counsel prior to having any contacts with competitors not previously approved by the Company's general counsel and before engaging in any activities like those described above.

Finally, the purpose of business entertainment and gifts in a commercial setting is to create goodwill and sound working relationships, not to gain unfair advantages. No gift or entertainment should ever be offered, given, provided or accepted by any Covered Person or family member of a Covered Person unless it: (i) is not a cash gift; (ii) is consistent with customary business practices; (iii) does not have a value of more than \$100; (iv) cannot be construed as a bribe or payoff and (v) does not violate any laws or regulations. Any questionable gift or invitation should be discussed in advance with the Company's general counsel.

H. Protection and Proper Use of Company Assets

All Covered Persons should endeavor to protect our assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on our profitability. Any suspected incident of fraud or theft should be immediately reported to your manager or the Company's general counsel for investigation. Company assets, both tangible and

intangible, are to be used only for legitimate business purposes of the Company and only by authorized persons.

The obligation of Covered Persons to protect our assets includes proprietary information. Proprietary information includes intellectual property such as trade secrets, trademarks and copyrights, as well as items listed in Section F above. Unauthorized alteration, destruction, use, disclosure or distribution of this information violates Company policy and this Code.

I. Discrimination and Harassment

The diversity of our staff is a tremendous asset. The Company provides equal opportunity in all aspects of staffing and will not tolerate discrimination or harassment of any kind. It is the Company's policy to treat applicants and employees without regard to race, color, religion, sex, age, national origin, sexual preference, disability or veteran status. Discrimination based on racial, ethnic, religious, physical or sexual characteristics or sexual preference of another, unwelcome sexual advances and similar behavior are prohibited. Covered Persons who engage in acts of harassment or discrimination are subject to discipline, which may include termination of employment. Managers are responsible for ensuring that their people follow this policy.

J. Health and Safety

We strive to provide each of our staff with a safe and healthful work environment. Each Covered Person has responsibility for maintaining a safe and healthy workplace for all staff by following safety and health rules and practices, and reporting accidents, injuries and unsafe equipment, practices or conditions.

Violence and threatening behavior are not permitted. Covered Persons should report to work in condition to perform their duties, free from the influence of illegal drugs or alcohol. The use of illegal drugs or alcohol in the workplace will not be tolerated.

K. Environmental Compliance

The Company is committed to full compliance with all environmental statutes and regulations applicable to our business. All people functioning in a capacity involved with air emissions, water discharges, solid waste or hazardous or toxic materials must be familiar with and comply with all applicable laws and regulations and must promptly report to management any unpermitted spills, discharges or releases, or conditions likely to lead to them, so that remedial action may be taken.

L. Record-Keeping

We promote full, fair, accurate, timely and understandable disclosure in all public communications, including reports and documents that we file with, or submit to, the Securities and Exchange Commission. We must maintain accurate and complete records,

data and other company information in sufficient detail as to reflect our transactions accurately. Our financial statements must be prepared in accordance with generally accepted accounting principles as in effect in the United States, and fairly present, in all material respects, our financial condition and results. You are personally responsible for the integrity of the information, reports and records under your control and must ensure that all reports are filed in a timely manner and that they fairly present the financial condition and operating results of the Company. Misrepresenting facts or falsifying records will not be tolerated and will result in disciplinary action.

You must use common sense and be professional when choosing the content and language that comprise business records and other documents (such as e-mail).

You must comply with our policy on retention and planned destruction of records. If any government agency requests access to our records, data and other company information, you must advise your supervisor, manager or an executive officer of this request immediately. Supervisors and managers must ensure that executive officers are informed of all such requests that are outside the ordinary course of our business. You may not destroy or alter any records, data and other documents which are potentially relevant to a violation of law or any litigation or any pending, threatened or foreseeable government investigation or proceeding or lawful request.

M. Payments to Government Personnel

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make a bribe, payment or gift to government officials of any country whether or not there is an attempt to influence. The Company may make a payment to a governmental official or employee outside the United States only if:

- it is made for a legitimate business purpose and not to obtain benefits not permitted by local law or to escape obligations imposed by local laws;
- it is modest in amount and made in accordance with prevailing local law and customs;
- its public disclosure would not embarrass or otherwise harm the Company; and
- the payment is authorized by the Board of Directors.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy but could also be a criminal offense. State and local governments, as well as foreign governments, likely have similar rules.

N. Publication; Waivers

The most current version of this Code will be posted and maintained on our website and will be made available upon request sent to the Company's general counsel.

Any waiver of this Code for executive officers or directors may be made only after approval by the Board of Directors and will be promptly disclosed to the stockholders as required by law or regulation applicable to the Company or the requirements of any stock exchange or quotation system upon which our securities are listed.

O. Reporting Any Illegal or Unethical Behavior

Covered Persons are encouraged to talk to supervisors, managers or other appropriate personnel about observed illegal or unethical behavior and when in doubt about the best course of action in a particular situation. It is our policy not to allow retaliation for reports of misconduct by others made in good faith by Covered Persons. All Covered Persons are expected to cooperate with internal investigations of misconduct. Information gathered through such reporting will be thoroughly investigated, and will be held in confidence. Violations of this Code may result in disciplinary action, including termination of employment/affiliation and/or criminal penalties. We encourage any Covered Person to report violations or other concerns, including any complaints or concerns regarding questionable accounting or auditing matters using the procedures outlined in our Whistleblower Policy.

P. Compliance Procedures

We have established this Code as part of our overall policies and procedures. This Code applies to all Covered Persons of the Company, including employees and officers of the Manager and its affiliates who provide services to the Company. To the extent that our other policies and procedures conflict with this Code, you should follow this Code.

We believe adherence to this Code provides a strong foundation for our continuing success. Accordingly, if a Covered Person is involved in any situation or transaction which conflicts or may appear to conflict with the intent of this Code, he or she must report it immediately to his or her manager or the Company's general counsel. Failure to disclose involvement in any such activity promptly may result in disciplinary action up to and including termination of affiliation/employment.