

## **PREFERRED APARTMENT COMMUNITIES, INC.**

### **CHARTER OF THE COMPENSATION COMMITTEE**

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

This Charter of the Compensation Committee (the “Committee”) has been adopted by the Board of Directors (the “Board”) of Preferred Apartment Communities, Inc. (the “Company”).

#### **A. Purpose**

The purpose of the Committee shall be (i) the evaluation of services provided by the individuals who serve as the President and Chief Executive Officer and other executive officers of the Company; (ii) the evaluation of compensation paid by the Company directly, if any, to any individual who serves as President and Chief Executive Officer or other executive officers of the Company; (iii) the approval, evaluation and administration of all equity compensation plans of the Company; and (iv) to take a leadership role in shaping the Company’s compensation policies.

#### **B. Duties and Responsibilities**

The Company’s executive officers receive no compensation from the Company (except to the extent of any awards that may be made under any incentive-based and equity-based compensation plans and other compensation and employee benefit plans of the Company (collectively, the “Plans”)), but are compensated by Preferred Apartment Advisors, LLC (the Manager”), the Company’s manager pursuant to the Management Agreement among the Company, Preferred Apartment Communities Operating Partnership, L.P., and Manager, dated November 19, 2010, as the same may be amended from time to time. To fulfill its compensation responsibilities and duties, the Committee shall:

1. Evaluate annually the compensation policies and practices of the Company and make any recommendations for change to the Board. The Committee shall determine as part of this evaluation whether the risks arising from the Company’s compensation policies and practices are reasonably likely to have a material adverse effect on the Company.
2. Evaluate annually the appropriate level of compensation for Board and Committee service (including service as a chairperson of any committee) by independent members of the Board, including their participation in incentive-compensation plans and equity-based compensation plans. The ultimate decision regarding the compensation of any independent members of the Board shall be subject to the approval of the Board
3. Consider goals and objectives relevant to compensation, if any, paid directly by the Company to its President and Chief Executive Officer, including any equity based compensation, evaluate the performance of its President and Chief Executive Officer in light of those goals and objectives, and determine and approve compensation paid directly by the Company, if any, to its President and Chief Executive Officer. The Committee shall not make any review, deliberation or approval of any aspect of the

President and Chief Executive Officer's compensation in the presence of the President and Chief Executive Officer.

4. Make recommendations to the Board with respect to the compensation, if any, paid directly by the Company, including any equity based compensation, to executive officers other than the President and Chief Executive Officer.
5. The Committee shall not approve any direct or indirect loan, guarantee or other extension of credit to the President and Chief Executive Officer or any other director or officer of the Company, except as permitted under Section 13(k) of the Securities Exchange Act of 1934.
6. With respect to plans intended to comply with Section 162(m) ("Section 162(m)") of the Internal Revenue Code of 1986, the Committee shall have the authority to take all actions necessary or appropriate to comply with Section 162(m), including, without limitation, establishing performance goals in writing within the time prescribed by Section 162(m) and certifying the attainment of such goals in a manner consistent with Section 162(m).
7. Review at least annually the goals and objectives of the Company's Plans, and recommend that the Board amend these goals and objectives if the Committee deems it appropriate.
8. Review at least annually the Company's Plans in light of the goals and objectives of these Plans, and recommend that the Board amend these Plans if the Committee deems it appropriate.
9. Perform such duties and responsibilities as may be assigned to the Committee, by the Board, under the terms of any incentive-compensation or equity-based plan, or as required by NYSE Amex or the Securities Exchange Commission.
10. Review and discuss annually with management a draft of the Company's Compensation Discussion and Analysis to be included in the Company's annual report on Form 10-K or annual proxy statement. In connection with such review, the Committee shall produce a report as required by Securities and Exchange Commission rules to be included in the annual report on Form 10-K or annual proxy statement stating whether (i) the Committee has reviewed and discussed the Compensation Discussion and Analysis with management and (ii) based on the review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's annual report on Form 10-K or annual proxy statement.
11. To delegate any of its responsibilities to subcommittees as the Committee may deem appropriate.

### **C. Outside Advisors**

The Committee shall have sole authority to retain and terminate any compensation consultant used to assist in the evaluation of director or executive compensation, including sole authority to

approve the consultant's fees and any other retention terms. In addition, the Committee shall have access to and authority to retain independent advisors, including legal counsel, if and when it deems necessary to perform its duties. The Committee shall retain these advisors without seeking Board approval and shall have sole authority to approve related fees and retention terms. The Committee will appoint or retain these advisors only after taking into consideration factors that may affect such advisor's independence.

#### **D. Annual Performance Evaluation**

The Committee shall conduct an annual self-performance evaluation, including an evaluation of its compliance with this Charter and report on its annual self-performance evaluation to the Board. The Committee also shall review and reassess the adequacy of the Committee's Charter at least annually and recommend any proposed changes to the Board for approval.

#### **E. Membership**

The Committee shall consist of no fewer than three (3) directors, as determined by the Board. Each Committee member shall be a member of the Board and shall meet the independence requirements of NYSE Amex, be an "outside director" as defined in Section 162(m), be a "non-employee director" as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, and meet any other independence requirements of the U.S. Securities Exchange Commission and any other requirements set forth in applicable laws, rules and regulations. Each Committee member shall also have knowledge and experience relating to officer, management and employee compensation and related matters. The Committee members shall be appointed annually by the Board on the recommendation of the Nominating and Corporate Governance Committee and shall serve until their successors are duly elected and qualified or their earlier resignation or removal. Any member of the Committee may be removed and replaced by the Board.

#### **F. Chairman**

The Committee shall include a Committee chairman. The Committee chairman shall be appointed by the Board. The Committee chairman shall be entitled to chair all regular sessions of the Committee and cast a vote to resolve any ties.

#### **G. Meetings**

The Committee shall meet as often as needed or required. Special meetings may be convened as the Committee deems necessary or appropriate. All Committee members shall strive to be present at all Committee meetings.

The Committee chairman may call a Committee meeting upon due notice of each other Committee member at least forty-eight (48) hours prior to the meeting. A majority of Committee members, acting in person or by means of telephone, shall constitute a quorum. The Committee shall act by majority vote. Any action required or permitted to be taken at a meeting of the Committee may be taken by unanimous written consent of the members of the Committee in lieu

of a meeting. The committee meetings shall follow a set agenda established by the Committee chairman. The Committee shall be responsible for maintaining minutes and other applicable records of each Committee meeting. The Committee shall report its actions and recommendations to the Board after each Committee meeting.