

PREFERRED APARTMENT COMMUNITIES, INC.
FRAUD AND ETHICS RISK MANAGEMENT POLICY

As adopted by the Audit Committee as of September 14, 2018

Preferred Apartment Communities, Inc. (the "Company") is dedicated to maintaining the highest integrity and standards of ethics. The Company has established a Code of Business Conduct and Ethics (the "Code") to help our associates comply with the law and regulations applicable to our business. To provide guidance to our associates related to fraud awareness, the Company's annual fraud risk assessment process, the Company's stance on anti-retaliation, and the procedures for reporting potential and actual violations relating to any law, rule, regulation or Company policy, the Company has established this Fraud and Ethics Risk Management Policy (this "Policy"). This Policy:

- Establishes a mechanism for associates related to fraud and ethical awareness.
- Governs the process to report potential violations or concerns relating to any law, rule, regulation or Company policy, including any violations or concerns relating to accounting, internal controls over financial reporting or auditing matters.
- Establishes a mechanism for responding to any reports regarding such potential violations or concerns.
- Prohibits retaliation against associates raising such potential violations or concerns.
- Establishes procedures for the retention of records of reports.

This Policy applies to directors, officers and agents of the Company and the personnel of Preferred Apartment Advisors, LLC (the "Manager"), NMP Advisors, LLC (the "Retail Sub-Manager") and either of their affiliates, contractors and other representatives who provide services to the Company ("Covered Persons" or "you"). All Covered Persons must follow these procedures and cooperate with any review and investigation initiated pursuant to this Policy. The Company's Audit Committee shall have overall responsibility for the implementation of this Policy.

A. Employee Fraud and Ethics Awareness

The Company's goal is to establish and maintain a business environment of fairness, ethics and honesty for all Covered Persons. During the on-boarding process, each new hire shall be provided a copy of the Code of Business Conduct and Ethics to review and sign, as well as being provided a copy of the Fraud and Ethics Risk Management Policy. Further, on an annual basis via a company-wide communication or presentation all Covered Persons will be informed of the Company's stance on fraud and ethics as well as the methods of reporting any potential violations or concerns. Lastly, the Internal Audit Department shall conduct an annual fraud risk assessment survey of key employees to identify potential vulnerabilities, fraud risks, and to develop an entity wide fraud risk response. The results of this survey and the mitigation plans developed will be communicated to the Audit Committee on an annual basis. Our Company is committed to the deterrence, detection and correction of misconduct and dishonesty. By making our associates

aware of fraud and ethical issues as well as providing an outlet for reporting, the Company provides a sound foundation for the protection of innocent parties, the taking of disciplinary action against offenders up to and including dismissal where appropriate, the referral to law enforcement agencies when warranted by the facts, and the recovery of assets.

B. How Do I Report a Violation, Concern or Retaliation?

If you know or believe that an unintentional or deliberate violation of applicable laws, rules, regulations or Company policy has occurred, you must immediately submit a report to our third party compliance hotline hosted by NAVEX Global (EthicsPoint) for investigation. The report should describe one or more of the following, as applicable:

- A violation or a failure to comply with a law, rule, regulation, Code of Conduct, or Company policy, including any violations or failures relating to accounting, internal controls over financial reporting, or auditing matters.
- A concern that questionable accounting, internal control, or auditing practices have taken place or are taking place.
- An allegation or concern that an associate, officer or director who, in accordance with this Policy, reported an alleged violation or concern was retaliated against.

You may choose to submit a report openly or anonymously. When reporting a violation or concern, please provide details such as: the time, location and nature of the matter, the names of people involved and other details, so it can be investigated. You have the option to submit a report by any of the following means:

NAVEX Global

Weblink: pacapts.ethicspoint.com

Tel: 1-844-449-7489

All web addresses and phone numbers necessary to submit a report by any the means listed above will be available on the Company's website.

C. How Will A Report Be Handled?

Upon receiving a report through our third party NAVEX Global (EthicsPoint), independent members of the Company's Internal Audit Department and General Counsel will review the report to determine if it involves a violation of law, rule, regulation, Code of Conduct, or Company Policy, including any violations or failure relating to accounting, internal controls over financial reporting, or auditing matters. If the report involves any of the independent members listed above, NAVEX Global's system will not grant that individual access to view the report ensuring appropriate handling. The Company will investigate all complaints and reports as thoroughly, promptly and confidentially as is reasonably possible. The Company will undertake all investigations with due regard to the privacy of all parties involved consistent with a thorough and appropriate investigation. Confidentiality will be maintained throughout the investigative

process to the extent consistent with adequate investigation techniques, and the taking of appropriate, prompt, and effective remedial action. In order to show proper regard for the privacy rights of all involved, such incidents should not be discussed with anyone who is not in a position to investigate or take action with respect to the issues involved. When a report is made through our third party NAVEX Global, the individual who submitted the report will have access to view any response and/or follow-up questions initiated by the investigators. The Company will provide a response and/or follow-up questions to each report within 5-10 business days either concluding the investigation and/or documenting the status of the on-going investigation.

The Company expects each director, officer and associate to make every reasonable effort to assist persons involved in reviewing and investigating any report, including making himself or herself available for interviewing, responding to requests for documentation or other information, etc.

Reports Regarding Accounting Matters. The Internal Audit Department will notify the Audit Committee in writing of all reports received involving accounting, internal controls over financial reporting, or auditing matters. The Internal Audit Department will also send to the Audit Committee an unedited, exact copy of each such report. The Internal Audit Department will undertake a preliminary investigation of the allegation.

As soon as practicable after receipt of such a report, the Internal Audit Department will prepare and deliver to the Audit Committee a written report: (i) summarizing the allegations raised and the preliminary investigation of these allegations; and (ii) providing a recommendation as to what additional action, if any, should be taken. As soon as practicable after receiving the Internal Audit Department's written report, the Audit Committee will convene a special meeting to review and consider the report. Upon review and consideration of the report, the Audit Committee will consider what further action, if any, will be taken. The Audit Committee shall have the authority to engage outside auditors, counsel, or other experts to assist in the investigation and analysis of any report.

It is the responsibility of the Audit Committee to report to Company management and the General Counsel any noncompliance with laws, rules, regulations or Company policy, and to coordinate with the General Counsel to assure that Company management takes necessary corrective action including, where appropriate, reporting any violation to the relevant federal, state or other law enforcement, governmental or regulatory authorities. It is also the responsibility of the Audit Committee to report the status of all outstanding reports to the full board of directors on a quarterly basis.

Reports Regarding Legal Matters, Retaliation or Other Matters. If the report involves potential violations of applicable laws, rules, regulation or Company policy, retaliation against a reporting individual or other matters, the General Counsel will determine what further action, if any, will be taken. The General Counsel shall have the authority to engage outside auditors, counsel, or other experts to assist in the investigation and analysis of any report.

Regular Presentation to the Audit Committee. At each regularly scheduled quarterly meeting of the Audit Committee, the Internal Audit Department and the General Counsel will present a

summary to the Audit Committee stating the nature of each report submitted during the quarter immediately preceding the Audit Committee meeting, what further actions, if any, were taken with respect to each report, and the status of any further action taken.

Conflicts of Interest. If at any time, the Internal Audit Department and/or General Counsel has reason to believe that a report he or she receives or an investigation he or she has undertaken as a result of a report raises a potential or real conflict of interest, the Internal Audit Department and/or General Counsel will immediately notify the Chairman of the Audit Committee and cease his or her investigation. The Audit Committee will determine what further action, if any, will be taken as to the report, such as the hiring of outside counsel to conduct the review or investigation of the report. Any Audit Committee member having a conflict of interest as to a report must recuse himself or herself from consideration of the report. In the event that no members of the Audit Committee are available to consider the issue as a result of a conflict of interest, the Company's board of directors will consider the report or designate a committee to consider the report.

Retention of Reports and Documents. The Internal Audit Department and General Counsel will retain for a minimum period of seven years all records relating to any report and to the investigation of any report.

D. Can I be Retaliated Against for Reporting?

The Company ***will not permit*** any form of intimidation or retaliation by any officer, associate, contractor, subcontractor or agent of the Company against any associate because of any lawful act done by that associate to:

- provide information or assist in an investigation regarding any conduct which the associate reasonably believes constitutes a violation of laws, rules, regulations, the Code, or any Company policies; or
- file, testify, participate in, or otherwise assist in a proceeding relating to a violation of any law, rule or regulation.

Any such retaliation is a violation of Company policy and should be reported immediately under this Fraud and Ethics Risk Management Policy.

E. Questions or Clarifications Related to This Policy

All questions or other clarifications of this policy and its related responsibilities should be addressed to the Internal Audit Department, General Counsel, or the Audit Committee who shall be responsible for the administration, revision, interpretation, and application of this policy.