

Risk Factors

An investment in Preferred Apartment Communities, Inc. (“PAC”) involves a high degree of risk. You should carefully consider the information set forth in the “Risk Factors” section of the Prospectus for a discussion of material risk factors relevant to an investment in PAC, including, but not limited to the following:

- There is limited liquidity and no public trading market for the A1 or M1 Preferred Stock and we do not intend to list either of them on a securities exchange.
- If our Common Stock is no longer listed on the NYSE or another appropriate exchange, we would be required to terminate these offerings which could result in our raising gross proceeds substantially less than if the maximum offering is sold.
- Shares of A1 and M1 Preferred Stock may be redeemed for shares of common stock, which rank junior to the Preferred Stock with respect to dividends and upon liquidation.
- The credit agreement for our credit facility limits our ability to make cash dividend payments and we may incur additional indebtedness, which may harm our financial position and cash flow and potentially impact our ability to pay dividends on the A1 and M1 Preferred Stock and our Common Stock.

We are dependent upon our manager and its affiliates to conduct our operations and, therefore, any adverse changes in the financial health of our manager or its affiliates could hinder our operating performance and the return on your investment

There are numerous conflicts of interest between the interests of investors and our interests or the interests of our manager and its affiliates, which we may not experience if we were self-managed.

Upon the sale of any individual property, holders of our A1 and M1 Preferred Stock do not have a priority over holders of our Common Stock regarding return of capital.

Our charter contains various restrictions on the ownership and transfer of our securities.

Maintenance of our exemption from registration under the Investment Company Act of 1940 and our REIT qualification impose significant limitations on our operations.

Our investment objectives and strategies may be changed without stockholder consent.

If we fail to continue to qualify as a REIT, we will be subject to tax on our income and the amount of distributions we make to our stockholders will be reduced.

We will be able to call your shares of A1 and M1 Preferred Stock for redemption under certain circumstances without your consent.

Your percentage of ownership may become diluted if we issue new shares of stock or other securities, and issuances of additional preferred stock or other securities by us may further subordinate the rights of the holders of our Common Stock (which investors may become upon receipt of redemption payments in shares of Common Stock).

PAC / **A.1 M.1**
REDEEMABLE
PREFERRED
STOCK / **OFFERINGS**

The A1 and M1 Preferred Stock will be subordinate in right of payment to any corporate level debt that we incur, and your interests could be diluted by the issuance of additional preferred stock, including additional A1 and M1 Preferred Stock, and by other transactions.

Our revenue and net income may vary significantly from one period to another due to investments in opportunity-oriented properties and portfolio acquisitions, which could increase the variability of our cash available for distributions.