

**AMENDED AND RESTATED CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS OF
PALADIN REALTY INCOME PROPERTIES, INC.**

As of March 17, 2009

I. Purpose

The primary function of the Audit Committee (the “Audit Committee”) is to assist the Board of Directors (the “Board”) of Paladin Realty Income Properties, Inc. (the “Corporation”) in fulfilling its oversight responsibilities by reviewing:

- the integrity of the Corporation’s financial statements and other information to be provided to the Corporation’s stockholders;
- the Corporation’s compliance with legal and regulatory requirements;
- the independent accountant’s qualifications and independence;
- the performance of the Corporation’s internal audit function, if applicable, and independent accountants; and
- the Corporation’s system of disclosure controls and procedures and internal controls over financial reporting.

Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation’s policies, procedures and practices at all levels. The Audit Committee’s primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Corporation’s financial reporting process and internal control system;
- review and appraise the audit efforts of the Corporation’s independent accountants; and
- provide an open avenue of communication among the independent accountants, financial and senior management, and the Board.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Amended and Restated Charter (this “Charter”).

II. Composition

The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall meet the independence requirements of Section 10A(m) of the

Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the rules and regulations promulgated thereunder, as well as the independence requirements set forth in the Corporation’s Articles of Incorporation, as amended from time to time. Furthermore, each director serving on the Audit Committee will be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee.

All members of the Audit Committee shall be financially literate, or must become financially literate within a reasonable time period after appointment to the Audit Committee, and at least one member of the Audit Committee shall, in the business judgment of the Board, be an audit committee financial expert (as defined in Item 407(d)(5)(ii) of Regulation S-K). The existence of such member as an audit committee financial expert, including his or her name and whether or not he or she is independent, shall be disclosed in periodic filings as required by the Securities and Exchange Commission (the “Commission”) or applicable law. Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant.

The members of the Audit Committee shall be elected by the Board at the annual meeting of the Board or until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership. No Audit Committee member shall serve on the audit committees of more than two other public companies at the same time as he or she serves on the Audit Committee, unless the Board specifically determines that it would not impair the ability of an existing or prospective Audit Committee member to serve effectively on the Audit Committee. Further, each prospective Audit Committee member shall evaluate carefully the existing demands on his or her time before accepting appointment or reappointment to the Audit Committee.

The Audit Committee shall prepare and maintain a checklist of responsibilities to be fulfilled by the Audit Committee and circulate to committee members and other directors.

Director’s compensation shall be the sole remuneration paid by the Corporation to all members of the Audit Committee. No member shall receive fees, paid directly or indirectly, for services as a consultant or a legal or financial advisor.

III. Meetings

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate.

A majority of the Audit Committee members shall constitute a quorum. Each Audit Committee member shall have one vote and actions at meetings may be approved by a majority of the members present.

As part of its job to foster open communication, the Audit Committee should meet at least annually with management and the independent accountants in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.

In addition, the Audit Committee or at least its Chair should meet with the independent accountants and management quarterly to review the Corporation's financials consistent with Section IV below.

To the extent practicable, the Chair shall cause the agenda for each meeting of the Audit Committee to be circulated to each member of the Audit Committee. The Audit Committee shall maintain minutes or other records of meetings and activities of the Audit Committee.

IV. Responsibilities and Duties

To fulfill its responsibilities and duties the Audit Committee shall:

A. Review of this Charter

1. Review and update this Charter periodically, at least annually, as conditions dictate and approve any amendments hereto.
2. Request that the Corporation maintain a copy of this Charter on the Corporation's website or file this Charter as an appendix to the Corporation's proxy statement at least once every three years.

B. Independent Accountants

1. Directly appoint, retain, evaluate and terminate the Corporation's independent accountant's and approve the compensation of the independent accountants. In addition, the Audit Committee shall have the sole authority to approve all audit engagement fees and terms. The independent accountants shall report directly to the Audit Committee. Further, the Audit Committee shall be directly responsible for oversight of the independent accountants, including resolution of disagreements between management and the independent accountants.
2. Discuss with the independent accountants at least annually the accountant's internal quality-control procedures, any material issues raised by the most recent peer review and any other matters required to be addressed pursuant to the applicable law.
3. Discuss with the independent accountants the matters required to be discussed under PCAOB Standards and auditing standards generally accepted in the United States (GAAS), relating to quality of the accounting principles adopted by the Corporation and the conduct of the audit, including any audit problems or difficulties that the independent accountants may have encountered in the course of the audit work and management's response thereto.
4. Receive from the independent accountants, and review at least annually a formal written statement delineating all relationships between the independent accountants and the Corporation consistent with Independence Standards Board Standard 1.
5. Obtain from the independent accountants assurance that Section 10A(b) of

the Exchange Act (generally relating to the independent accountants' identification of illegal acts and related party transactions) has not been implicated.

6. Evaluate the independent accountants, including the independent accountants' qualifications, performance and independence, the competence, experience and qualifications of the lead partner and senior members of the independent accountants' team, and the quality control procedures of the independent accountants. The Audit Committee shall also ensure the rotation of the audit partners as required by law. The Audit Committee will present its conclusions with respect to the independent accountants to the Board.
7. Discuss with the independent accountants the overall scope and plans for their audits, including the adequacy of staffing.
8. Review and pre-approve all audit services and permissible non-audit services to be performed for the Corporation by its independent accountants, as contemplated by Section 10A(i) of the Exchange Act. The Audit Committee may delegate to one or more of its members the authority to pre-approve audit services and permissible non-audit services; provided, however, that all pre-approved services must be disclosed by such delegate to the full Audit Committee at its next scheduled meeting.
9. Receive an annual report from the independent accountants that describes (a) all critical accounting policies and practices to be used by the Corporation, (b) all material alternative treatments within generally accepted accounting principles ("GAAP") suggested to management, and (c) any other written communication with management.
10. Periodically consult with the independent accountants out of the presence of management about internal controls and the fullness and accuracy of the organization's financial statements.
11. Approve the Corporation's hiring of employees or former employees of the independent accountants.
12. Review independent accountants' management comment letter.

C. Financial Reporting Processes

1. Review and discuss with management and the independent accountants the Corporation's annual and quarterly financial statements and reports on Form 10-K and 10-Q, including reviewing the specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" (such review shall include a discussion of (a) the quality of the Corporation's accounting principles as applied in its financial reporting, (b) the reasonableness of significant judgments made (including analyses of the effects of alternative GAAP methods on the financial statements), and (c) the clarity of the disclosures in the financial statements).
2. Recommend, based on its review and discussion, that the audited financial statements be included in the Corporation's Form 10-K and the unaudited financial statements be included in the Corporation's Form 10-Qs for filing with the Commission.
3. Obtain a report, if necessary, made to the Audit Committee by the

Chief Executive Officer and Chief Financial Officer of the Corporation during their certification processes for the Form 10-K and each Form 10-Q which describes, if any, (a) all significant deficiencies in the design or operation of the Corporation's internal controls which could adversely affect the Corporation's ability to record, process and report financial data, and (b) any fraud (whether or not material) involving management or other employees who have a significant role in the Corporation's internal controls.

4. Review and discuss with management certifications as required by the Sarbanes-Oxley Act of 2002.
5. In consultation with the independent accountants, review the integrity of the Corporation's financial reporting processes, both internal and external, internal control structure and systems of disclosure controls. In support of this process, review management's annual assertion on the effectiveness of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and periodically discuss with management the financial reporting controls over key business processes of the Corporation and any special audit steps adopted in light of material control deficiencies and review.
6. Review the independent accountants' report on management's assertion on the effectiveness of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and discuss with the independent accountants any significant matters regarding internal controls over financial reporting that have come to their attention during the conduct of the audit or review of the Corporation's financial statements.
7. Review and discuss with management and the independent accountants as applicable all proxy statements of the Corporation. Prepare the annual Audit Committee Report for the Corporation's proxy statement in accordance with applicable Commission regulations. Disclose the existence of the audit committee financial expert (as defined in Item 407(d)(5)(ii) of Regulation S-K), including his or her name and whether or not he or she is independent, in periodic filings as required by the SEC or applicable law.
8. Review and discuss with management and the independent accountants any other relevant reports rendered by the independent accountants (or summaries thereof) or submitted by the Corporation to any governmental body or the public.
9. Review and discuss with management earnings press releases (paying particular attention to the use of "pro forma" or "adjusted" non-GAAP information) and financial information and earnings guidance provided to third parties. Such discussions may be on general terms (*i.e.*, discussion of the types of information to be disclosed and the type of presentation to be made). The Audit Committee need not discuss in advance each earnings release or each instance in which the Corporation may provide earnings guidance.
10. Consider management's and the independent accountants' judgments about the quality and appropriateness of the Corporation's accounting principles and policies (including new accounting and financial reporting requirements and the status of critical accounting policies) and changes to

such principles and policies as applied in its financial reporting.

11. Consider and approve, if appropriate, major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent accountants or management.
12. Review the effect of regulatory and accounting initiatives on the financial statements of the Corporation.
13. Review off-balance sheet structures and their effect on the financial condition of the Corporation.
14. Assess the process for establishing key estimates and reserves within the financial statements and consider the independent accountants' judgments about the appropriateness of such processes.

D. Process Improvement

1. Establish regular and separate systems of reporting to the Audit Committee by management and the independent accountants regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
2. Following completion of the annual audit, review separately with management and the independent accountants any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
3. Review any significant disagreement between management and the independent accountants in connection with the preparation of the financial statements.
4. Review with the independent accountants and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.)

E. Ethical and Legal Compliance

1. Establish, review and update periodically a Code of Ethical Conduct and ensure that management has established a system to enforce this Code.
2. Review management's monitoring of the Corporation's compliance with the Code of Ethical Conduct, and ensure that management has the proper review system in place to ensure that Corporation's financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.
3. Review, with the Corporation's secretary or counsel, legal compliance matters, including corporate securities trading policies.
4. Review, with the Corporation's counsel, any legal matter that could have a significant impact on the Corporation's financial statements.
5. Review the status of tax returns and any real estate investment trust compliance issues.
6. Review policies with respect to risk assessment and risk management.
7. Meet periodically with management to review the Corporation's major

financial risk exposures and the steps management has taken to monitor and control such exposures.

8. Establish procedures for the receipt, retention and treatment of complaints regarding the Corporation's accounting, internal accounting controls or auditing matters and confidential, anonymous submission by the Corporation's officers and employees of affiliates of the Corporation regarding accounting, internal accounting controls or auditing matters.
9. Perform any other activities consistent with this Charter, the Corporation's Articles of Incorporation, as amended, Bylaws, as amended, and governing law, as the Audit Committee or the Board deems necessary or appropriate.

V. Administration

The Audit Committee shall have prompt and unrestricted access to all financial and operating information relevant to the Corporation's business.

Each member of the Audit Committee shall have full access to any member of management of the Corporation and the independent accountants.

The Audit Committee shall have ready access to the Corporation's legal counsel. The Audit Committee is empowered to employ its own legal counsel, accountants or other advisors, at the Corporation's expense, to deal with specific problems or issues that arise in the course of carrying out its duties and responsibilities. The Audit Committee will have sole authority and responsibility for hiring, approving the fees and retention terms for, and terminating the services of, such advisors.

The Audit Committee shall report periodically to the Board, which report may include issues that arise with respect to (a) the quality and integrity of the Corporation's financial statements, (b) the Corporation's compliance with legal or regulatory requirements, (c) the performance and independence of the Corporation's independent accountants or (d) the performance of the internal audit function.

The Audit Committee shall annually evaluate the performance of the Audit Committee.

The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate.