

PALADIN REALTY INCOME PROPERTIES, INC.
-- CODE OF BUSINESS CONDUCT AND ETHICS --

I. Introduction

Paladin Realty Income Properties, Inc. (“Paladin”) is committed to conducting its business with high standards of ethics and integrity and in accordance with all applicable laws, rules and regulations. To further this objective, the Board of Directors of Paladin has adopted this Code of Business Conduct and Ethics (this “Code”). The Code describes certain ethical and legal principles that guide the work performed on behalf of Paladin.

This Code applies to the following persons (“Covered Persons”):

- each of Paladin’s officers and each member of its Board of Directors; and
- each of the officers, managers, principals and real estate professionals of Paladin Realty Partners, LLC (the “Sponsor”) and Paladin Realty Advisors, LLC (the “Advisor”).

Covered Persons are expected to conduct themselves honestly and ethically in accordance with this Code. Section IV of this Code also sets forth certain conflicts of interest policies that limit and govern certain matters among Paladin, Covered Persons, the Sponsor, the Advisor and their affiliates. Covered Persons who violate the policies in this Code will be subject to disciplinary action, up to and including a discharge from Paladin, the Sponsor, or the Advisor, and, where appropriate, civil liability and criminal prosecution.

Paladin understands that no code or policy can anticipate every situation that may arise. Accordingly, this Code is intended to serve as a source of guiding principles. Covered Persons are encouraged to bring questions about particular circumstances that may involve one or more of the provisions of this Code to the attention of Paladin’s Executive Vice President, Secretary and Counselor (the “Code Administrator”), who will act as the day-to-day administrator of this Code.

II. Compliance with Laws, Rules and Regulations

Obeying all applicable laws and governmental rules and regulations, both in letter and in spirit, is of utmost importance to Paladin. All Covered Persons must respect and obey the laws of the cities, states and countries in which Paladin operates. If a law, rule or regulation conflicts with a policy in this Code, a Covered Person must comply with the law, rule or regulation; however, if a local custom or policy conflicts with this Code, a Covered Person must comply with this Code.

III. Conflicts of Interest -- Personal Benefits to Covered Persons

Covered Persons owe a duty to Paladin to advance Paladin's legitimate interests when the opportunity to do so arises. A prohibited conflict of interest occurs when a Covered Person's direct or indirect personal interests interfere in any material respect with his or her service to Paladin or with the interests of Paladin.

Such a conflict can arise when a Covered Person has interests that may make it difficult for him or her to perform his or her professional obligations fully, or when a Covered Person otherwise takes action for his or her direct or indirect benefit or the direct or indirect benefit of a third party that is inconsistent with the interests of Paladin or when a Covered Person directly or indirectly receives improper personal benefits as a result of his or her position with Paladin. Indirect benefits include benefits received by a family member or an affiliate of a Covered Person.

The following are some examples of prohibited conflicts of interest:

- A personal loan made by Paladin to any Covered Person, a member of his or her family or any their affiliates. Federal securities laws prohibit personal loans to be made by Paladin to its directors and executive officers, and Paladin believes that the same principles should apply to all Covered Persons.
- A Covered Person using Paladin's property, information, or position for improper material personal gain, whether directly or indirectly. For example, Covered Persons may not, whether directly or indirectly, invest in opportunities that are discovered through the use of such property, information or position unless Paladin or the Advisor and the Sponsor determine that an investment opportunity is

not suitable for Paladin or any affiliate of the Sponsor, and therefore they do not pursue the opportunity.

- The direct or indirect receipt by any Covered Person of gifts, entertainment or other benefits of any significant value from any company with which Paladin has current or prospective business dealings, including investments in such companies, unless such gift or entertainment is business-related, reasonable in cost, appropriate as to time and place, and not so frequent as to raise any questions of impropriety.

IV. Conflicts of Interest – Standards of Business Conduct

This Section of the Code sets forth certain conflicts of interest policies that limit and govern certain matters among Paladin, Covered Persons, the Sponsor, the Advisor and their affiliates.

Real Property Transactions. Paladin may not buy real property from, sell real property to, or enter into any real property joint venture with any Covered Person (or a member of his or her family), the Sponsor, or the Advisor, or any affiliates of any of the aforementioned, unless such transaction is both (1) approved by a majority of the independent directors of Paladin that are not otherwise interested in the transaction and (2) satisfies one of the following requirements:

- A transaction in which the Advisor or one of its affiliates assigns a purchase agreement or any other real property related contract to Paladin on substantially the same terms as the underlying agreement.
- A transaction in which the Advisor or one of its affiliates enters into an agreement to loan funds to Paladin on substantially the same terms as the underlying credit obligation between the Affiliate and a third party.

Issuance of Preferred Stock. Paladin may not issue any preferred stock to any Covered Person (or a member of his or her family) or any affiliate of Paladin, except when such preferred stock is offered to such persons or entities on the same terms as such preferred stock is offered to unaffiliated third party investors.

Investment Opportunities. If Paladin or the Advisor has determined that an investment opportunity is not suitable for Paladin and therefore does not pursue the opportunity, then the Sponsor or any of its affiliates may pursue the opportunity.

V. Accurate Record Keeping and Reporting

Paladin expects Covered Persons to honestly and accurately record and report financial and other information. Full, fair, accurate and timely disclosure in the reports and other documents Paladin files with the Securities and Exchange Commission is critical. In this regard:

- Compliance with generally accepted accounting principles is required at all times. However, technical compliance with GAAP may not be sufficient and, to the extent that technical compliance with GAAP would render financial information that Paladin reports misleading, additional disclosure will be required.
- Compliance with Paladin's system of internal accounting controls is required at all times, and no action designed to circumvent such controls and procedures will be tolerated.
- Compliance with Paladin's disclosure controls and procedures is required at all times, and no action designed to circumvent such controls and procedures will be tolerated.

The full, fair, accurate and timely reporting of Paladin's financial results and financial condition requires that all financial information be recorded promptly and accurately, and that Paladin's systems for recording and reporting that information be properly functioning and subject to regular and thorough evaluations. In this regard, Covered Persons are expected to ensure that:

- all business transactions are properly authorized;
- all records fairly and accurately reflect in reasonable detail Paladin's assets, liabilities, revenues and expenses;
- Paladin's accounting records do not contain any false or intentionally misleading entries;
- no transactions are intentionally misclassified as to accounts, departments or accounting periods;
- all transactions are supported by accurate documentation in reasonable detail and recorded in the proper account and in the proper accounting period; and

- no information is concealed from the internal auditors, the independent auditors, the Audit Committee or the Board of Directors.

VI. Payments to Foreign and U.S. 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 or direct business. It is strictly prohibited to make illegal payments to government officials of any jurisdiction. Accordingly, corporate funds, property or anything of value may not be, directly or indirectly, offered or given by a Covered Person or an agent acting on his or her behalf, to a foreign official, foreign political party or official thereof or any candidate for a foreign political office for the purpose of influencing any act or decision of such foreign person or inducing such person to use his influence or in order to assist in obtaining or retaining business for, or directing business to, any person in violation of the Foreign Corrupt Practices Act. The Foreign Corrupt Practices Act also provides for certain limited exceptions and affirmative defenses.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities that 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 Paladin policy, but could also be a criminal offense. State and local governments may have similar rules. Each Covered Person must comply with these federal, state and local laws and rules.

VII. Accountability

Each Covered Person must:

- upon adoption of the Code (or thereafter as applicable, upon becoming a Covered Person), affirm in writing that he or she has received, read, and understands the Code;
- annually thereafter affirm that he or she has complied with the requirements of the Code;
- report any violation of this Code of which he or she becomes aware involving himself, herself or another Covered Person in accordance with Section VIII of this Code; and

- not retaliate against any other Covered Person for reports of potential violations that are made in good faith.

VIII. Reporting any Violations of this Code

If a Covered Person believes that actions involving himself, herself or another Covered Person have taken place, may be taking place or may be about to take place that violate or would violate this Code, the Covered Person must bring the matter to the attention of the Code Administrator.

Paladin's policy is to comply with all financial reporting and accounting regulations applicable to it. If any Covered Person has concerns or complaints regarding questionable accounting or auditing matters (including, but not limited to, knowingly providing any false or misleading representation to an auditor) which in any way affects Paladin, then he or she is encouraged to submit those concerns or complaints to the Code Administrator or directly to the Audit Committee in accordance with Paladin's Whistleblower Policy.

IX. Administration and Interpretation of the Code

This Code will be administered and monitored by the Executive Vice President, Secretary and Counselor, as the Code Administrator. The Audit Committee shall have the ultimate responsibility for ensuring compliance with the Code.

Determining whether a situation or transaction violates this Code is not always clear-cut. If a Covered Person has a question with respect to any situation or transaction that may violate this Code, he or she should contact the Code Administrator, who will assist in analyzing the situation or transaction.

The Code Administrator will handle day-to-day compliance matters, including:

- Receiving, reviewing, investigating and resolving concerns and reports on the matters described in the Code;
- Interpreting and providing guidance on the meaning and application of the Code;
- Reporting periodically and as matters arise to the Audit Committee on the implementation and effectiveness of the Code and other compliance matters; and

- Recommending to the Audit Committee any updates or amendments to the Code that he or she deems necessary or advisable.

The Code Administrator may seek the advice of the Audit Committee as to interpretation and administration of this Code. The Code Administrator also may consult with inside or outside legal counsel, as well as Paladin's inside accountants and financial officers or auditors, as to interpretation and administration of this Code.

The Audit Committee shall have responsibility for:

- Assisting the Code Administrator in interpreting and providing guidance on the meaning and application of the Code;
- Considering the effectiveness of the Code and other compliance matters; and
- Updating or amending this Code as necessary.

X. Waivers; Public Disclosure

Generally, waivers of this Code will be granted only under extenuating circumstances. A waiver must be obtained prior to taking any action that would otherwise violate this Code.

If a Covered Person believes that his or her circumstances should be considered for a waiver of the Code, the waiver must be approved as follows:

- All waivers to this Code that relate to Section IV, Standards of Business Conduct, must be approved by a majority of the independent directors of Paladin's Board of Directors that are not otherwise interested in the transaction, who will have the sole and absolute discretion to approve any such waiver.
- A waiver to any other provision of this Code must be approved by a majority of Paladin's Audit Committee, who will have the sole and absolute discretion to approve any such waiver.

The following events must be disclosed promptly through the filing of a Current Report on Form 8-K or on Paladin's web site within four business days of the event:

- any waiver granted under this Code to Paladin’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions;
- any waiver granted under Section IV of this Code; or
- any amendment to this Code that is required to be disclosed pursuant to applicable securities laws.

XI. Addressing Conflicts of Interest with Paladin’s Board of Directors

Members of Paladin’s Board have a paramount interest in promoting and preserving the interests Paladin and its shareholders. It is imperative that all directors exercise good faith by disclosing all information relating to conflicts or potential conflicts of interest to the Chairman of the Audit Committee. Directors must recuse themselves from voting on any issue before the Board that could result in a conflict of interest, self-dealing or any other similar circumstance. Such disclosure, followed by recusal, is not a waiver of this Code pursuant to Section X.

If a director is precluded from disclosing an actual or potential conflict of interest due to a pledge of confidentiality or some other legal obligation, the director should take all reasonable measures to obtain a waiver of such obligation and in the circumstance where a waiver cannot be obtained, the director must consult with the Chairman of the Audit Committee about the situation. If a remedy acceptable to Paladin cannot be fashioned, then the director may be required to resign from the Board, although Paladin recognizes that resignation is an extreme remedy, and it should be used only when no other acceptable alternative is available.

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Adopted by the Board of Directors on September 14, 2005.