

**CHARTER OF THE
NOMINATING AND CORPORATE GOVERNANCE COMMITTEE
OF THE BOARD OF DIRECTORS OF
AFFORDABLE RESIDENTIAL COMMUNITIES INC.
AS ADOPTED BY THE BOARD OF DIRECTORS ON DECEMBER 23, 2003**

I. PURPOSE OF THE COMMITTEE

The purposes of the Nominating and Corporate Governance Committee (the "Committee") of the Board of Directors (the "Board of Directors") of Affordable Residential Communities Inc. ("ARC") shall be (i) to identify, screen and recommend to the Board of Directors individuals qualified to serve as directors of ARC and on committees of the Board of Directors, (ii) to advise the Board of Directors with respect to the composition, procedures and committees of the Board of Directors, (iii) to advise the Board of Directors with respect to the corporate governance principles applicable to ARC, and (iv) to oversee the evaluation of the Board of Directors and ARC's management.

II. COMPOSITION OF THE COMMITTEE

The Committee shall be comprised of three or more directors who qualify as independent directors ("Independent Directors") under the listing standards of the New York Stock Exchange (the "NYSE") and any additional requirements that the Board of Directors deems appropriate.

The members of the Committee shall be elected annually to one-year terms by majority vote of the Board of Directors at the first meeting of the Board of Directors following the annual meeting of stockholders. Vacancies on the Committee shall be filled by majority vote of the Board of Directors at the next meeting of the Board of Directors following the occurrence of the vacancy with directors who qualify as Independent Directors. No member of the Committee shall be removed except by majority vote of the Independent Directors of the Board of Directors then in office.

III. MEETINGS AND PROCEDURES OF THE COMMITTEE

The Committee shall fix its own rules of procedure, which shall be consistent with the Bylaws of ARC and this charter. The Committee shall meet as provided by its rules, which shall be at least four times annually or more frequently as circumstances require. The chairperson of the Committee shall be designated by the Board of Directors. The chairperson of the Committee, or a majority of the members of the Committee, may also call a special meeting of the Committee.

A majority of the members of the Committee shall constitute a quorum for the transaction of business at any meeting of the Committee. The act of a majority of the members of the Committee present, either in person or by telephone, shall be the act of the Committee. The

Committee shall maintain minutes of its meetings and records relating to those meetings, which minutes shall be maintained with the books and records of ARC.

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate; *provided, however*, that no subcommittee shall consist of fewer than two members; and *provided further* that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard of the NYSE to be exercised by the Committee as a whole.

The Committee may request that any directors, officers or employees of ARC, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests.

Following each of its meetings, the Committee shall deliver a report on the meeting to the Board of Directors, including a description of all actions taken by the Committee at the meeting.

IV. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

Board of Directors Candidates and Nominees

The Committee shall have the following goals and responsibilities with respect to candidates and nominees for the Board of Directors:

- To assist in identifying, recruiting and, if appropriate, interviewing potential director candidates.
- To establish procedures for evaluating the suitability of potential director nominees proposed by management or stockholders.
- To review the background and qualifications of individuals being considered as candidates for the Board of Directors.
- To recommend to the Board of Directors the director nominees for election by ARC's stockholders or appointment by the Board of Directors, as the case may be, pursuant to the Bylaws of ARC, which recommendations shall be consistent with the Board of Directors' criteria for selecting new directors. Such criteria include the possession of such knowledge, experience, skills, expertise and diversity so as to enhance the Board of Director's ability to manage and direct ARC's affairs and business, including, when applicable, to enhance the ability of committees of the Board of Directors to fulfill their duties and/or to satisfy any independence requirement imposed by law, regulation or listing standard of the NYSE.
- To review the suitability for continued service as a director of each member of the Board of Directors when his or her term expires or when he or she has a change in

status, including, but not limited to, an employment change, and to recommend whether or not the director should be re-nominated.

Board of Directors Composition and Procedures

The Committee shall have the following goals and responsibilities with respect to the composition and procedures of the Board of Directors as a whole:

- To review annually with the Board of Directors the composition of the Board of Directors as a whole and to recommend, if necessary, measures to be taken so that the Board of Directors reflects the appropriate balance of knowledge, experience, skills, expertise and diversity required for the Board of Directors as a whole and contains at least the minimum number of Independent Directors required by the listing standards of the NYSE.
- To review periodically the size of the Board of Directors and recommend to the Board of Directors any appropriate changes.
- To make recommendations on the frequency and structure of meetings of the Board of Directors.
- To make recommendations concerning any other aspect of the procedures of the Board of Directors that the Committee considers warranted, including, but not limited to, procedures with respect to the waiver by the Board of Directors of any ARC rule, guideline, procedure or corporate governance principle.

Committees of the Board of Directors

The following shall be the goals and responsibilities of the Committee with respect to the structure of committees of the Board of Directors:

- To make recommendations to the Board of Directors regarding the size and composition of each standing committee of the Board of Directors, including the identification of individuals qualified to serve as members of a committee, including the Committee, and to recommend individual directors to fill any vacancy that might occur on a committee, including the Committee.
- To monitor the functioning of the committees of the Board of Directors and to make recommendations for any changes, including the creation and elimination of committees.
- To review annually assignments to committees of the Board of Directors and the policy with respect to the rotation of memberships and/or chairpersonships on the committees of the Board of Directors and report any recommendations to the Board of Directors.

- To recommend that the Board of Directors establish such special committees as may be desirable or necessary from time to time in order to address ethical, legal or other matters that may arise. The Committee's power to make such a recommendation under this charter shall be without prejudice to the right of any other committee of the Board of Directors, or any individual director, to make such a recommendation at any time.

Corporate Governance

The following shall be the goals and responsibilities of the Committee with respect to corporate governance:

- To develop and review periodically, and at least annually, the corporate governance principles adopted by the Board of Directors to assure that they are appropriate for ARC and comply with the listing standards of the NYSE and to recommend any desirable changes in ARC's corporate governance principles to the Board of Directors.
- To consider any other corporate governance issues that arise from time to time and develop appropriate recommendations for the Board of Directors.

Evaluation of the Board of Directors and Management

The Committee shall be responsible for overseeing the evaluation of the Board of Directors and the management of ARC, including ARC's Chief Executive Officer, and shall evaluate and report to the Board of Directors on the performance and effectiveness of the Board of Directors. The Committee shall establish procedures to allow it to exercise this oversight function.

V. EVALUATION OF THE COMMITTEE

The Committee shall, on an annual basis, evaluate its performance under this charter. In conducting this review, the Committee shall evaluate whether this charter appropriately addresses the matters that are or should be within its scope and shall recommend to the Board of Directors such changes as it deems necessary or appropriate. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board of Directors, the manner in which they were discussed or debated and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.

The Committee shall deliver to the Board of Directors a written report setting forth the results of its evaluation, including any recommended amendments to this charter and any recommended changes to ARC's or the Board of Directors' policies or procedures.

VI. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISORS

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and may retain, at ARC's expense, such independent counsel or other advisors as it deems necessary. The Committee shall have the sole authority to retain or terminate a search firm to be used to identify director candidates, including sole authority to approve the search firm's fees and other retention terms, which fees shall be borne by ARC.

* * *

While the members of the Committee have the duties and responsibilities set forth in this charter, nothing contained in this charter is intended to create, or should be construed as creating, any responsibility or liability of the members of the Committee, except to the extent otherwise provided under the applicable laws of Maryland that shall continue to set the legal standard for the conduct of the members of the Committee.
