

SHOPOFF PROPERTIES TRUST, INC.
SUPPLEMENT NO. 2 DATED DECEMBER 22, 2009
TO THE PROSPECTUS DATED AUGUST 17, 2009

This document supplements, and should be read in conjunction with, our prospectus dated August 17, 2009 (the “Prospectus”), as supplemented by Prospectus Supplement No. 1, dated October 1, 2009 (“Supplement No. 1”). The purpose of this Supplement No. 2 is to disclose:

- the status of our public offering;
- updates real estate and real estate-related investments;
- certain information regarding our sole broker-dealer, Shopoff Securities Inc.;
- updates to certain listings in our Prior Performance Summary;
- our quarterly report for the quarter ended September 30, 2009.

I. Status of the Offering

We commenced our ongoing public offering of 20,100,000 shares of common stock on August 29, 2007. As of November 30, 2009, we sold 1,856,000 shares for aggregate gross offering proceeds of approximately \$17,632,000. The number of shares remaining to be sold is 144,000 shares at \$9.50 and 18,100,000 shares at \$10.00. We will sell shares until the earlier of the close of the offering on August 29, 2010, or the sale of the maximum offering.

II. Real Estate and Real Estate-Related Investments

Mesquite Valley Loan

The information below is hereby added as the last three paragraphs under the heading “Mesquite Valley Loan,” on page 46 of the Prospectus:

“Mesquite Venture I, LLC failed to pay its August 1, 2009 installment of principal and interest on the Senior Loan and all subsequent installments of principal and interest on the Senior Loan. Accordingly, on September 28, 2009, a Notice of Default and Election to Sell Under Deed of Trust (“NOD”) was recorded on behalf of East West Bank, as beneficiary, with respect to a senior deed of trust securing certain obligations of Mesquite Venture I, LLC to East West Bank,

including without limitation indebtedness under a promissory note in the original principal amount of \$3,681,000 (the "Senior Loan"). As of the date hereof, Mesquite Venture I, LLC has also failed to pay the \$10,000 loan extension fee due on October 1, 2009 to SPT Real Estate Finance, LLC, under the Secured Note. As a result of Mesquite Venture I, LLC's default on the Senior Loan, and on the Secured Note, SPT Real Estate Finance, LLC is pursuing its legal remedies against the guarantors of the Secured Note."

Tuscany Valley Project

The text beginning on Page 46 of the Prospectus under the heading "TSG Little Valley Project," is hereby deleted and replaced in its entirety with the updated disclosure below:

"Purchase and Sale Agreement; Promissory Note

On November 5, 2009, our affiliate, SPT-Lake Elsinore Holding Co., LLC, a Delaware limited liability company and wholly owned subsidiary of our affiliate, Shopoff Partners, L.P. ("Buyer"), purchased real property commonly known as "Tuscany Valley," consisting of (a) 519 entitled but unimproved residential lots and 2 commercial lots located in the City of Lake Elsinore, California (the "Lake Elsinore Property"), and (b) 400 acres of unentitled and unimproved land located in the City of Chino Hills, California (the "Chino Hills Property"). The combined purchase price for the Lake Elsinore Property and the Chino Hills Property was \$9,600,000.

The purchase of the Lake Elsinore Property and the Chino Hills Property was made pursuant to a series of purchase agreements and amendments thereto that were entered into by the parties over the course of more than twelve months between September 30, 2008 and November 5, 2009 (collectively, the "Tuscany Valley Purchase Agreement"), by and between Shopoff Advisors and TSG Little Valley L. P., a California limited partnership ("Seller").

Pursuant to the Tuscany Valley Purchase Agreement, Seller agreed to sell and Shopoff Advisors agreed to buy, 163 entitled but unimproved residential lots located in the City of Lake Elsinore, California. The contract purchase price was \$4,890,000. On September 3, 2009, the Tuscany Valley Purchase Agreement was amended as follows: (a) Buyer agreed to purchase additional property from Seller consisting of 356 entitled but unimproved, residential lots and 2 commercial lots located in the City of Lake Elsinore, California and 400 acres of unentitled and unimproved land located in the City of Chino Hills, California, (b) the purchase price was increased to \$9,600,000 from \$4,890,000, (c) the nonrefundable deposit requirement was increased to \$2,000,000 from \$1,000,000, and (d) the escrow closing date was amended to on or before November 30, 2009. In addition, Shopoff Advisors assigned all of its rights, title and interest in the Tuscany Valley Purchase Agreement to Buyer.

Of the total purchase price, \$2,900,000 was paid by Buyer's execution and delivery of (a) an all-inclusive purchase money note secured by deed of trust ("Promissory Note") in favor of Seller, in the principal amount of \$2,900,000, and (b) an all-inclusive deed of trust executed by Buyer in favor of Seller, as beneficiary therein, securing the Promissory Note. The Promissory Note bears interest at a rate of twelve percent per annum, and is payable in full on November 6,

2010. No payments are due during the term of the Promissory Note. The Promissory Note includes the unpaid balance of another promissory note made on April 3, 2006, in the original principal amount of \$2,000,000, payable by Seller to 1st Centennial Bank (the "Included Note"). The Included Note is secured by a deed of trust encumbering a portion of the the Lake Elsinore Property. The outstanding principal balance on the Included Note as of November 3, 2009 was approximately \$1,750,000. The current payee under the Included Note is the Federal Deposit Insurance Corporation, as receiver for 1st Centennial Bank.

Even though the Promissory Note is all-inclusive, if Seller fails to pay any installments when due upon the Included Note, Buyer has retained the right to make such payments directly to payee of the Included Note, and the amount so paid shall be credited against the next following installment or installments due under the Promissory Note. If Buyer fails to make any payment when required under the Promissory Note, Seller has the option to immediately declare all sums due and owing under the Promissory Note.

The foregoing description of the Tuscany Valley Purchase Agreement is qualified in its entirety by reference to the full text of the Tuscany Valley Purchase Agreement and the amendments thereto which are attached to our Current Report on Form 8-K filed on November 12, 2009 as Exhibits 10.1 through 10.5.

The above description of Promissory Note is qualified in its entirety by the full text of the Promissory Note which is attached to our Current Report on Form 8-K filed on November 12, 2009 as Exhibit 10.6.

Seller is our shareholder, with ownership of 380,500 shares as of September 30, 2009, which represents approximately 19.95% of our total shares outstanding. Stevan J. Gromet, President of Portfolio Partners, Inc., a California corporation, the general partner of Seller, is also our shareholder, with ownership of 47,800 shares as of September 30, 2009, which represents approximately 2.51% of our total shares outstanding.

Shopoff Advisors received an acquisition fee equal to 3% of the contract purchase price, or \$288,000, upon consummation of the transaction.

Plans for Development; Competitive Conditions; Risks

Lake Elsinore Property

We intend to hold the residential portion of the Lake Elsinore Property and then sell it to merchant homebuilders when residential housing market conditions improve, which we anticipate may occur within the next 3 to 5 years. We will endeavor to maintain the existing entitlements and to position the project for a sale to merchant homebuilders and/or a master developer. We plan to hold the commercial property for an indefinite period of time and then market it for sale to a commercial developer when market conditions improve. Current Lake Elsinore Property entitlements include three residential subdivision tentative tract maps that were approved in 2006. These entitlements include a specific plan amendment, approval under the California Environmental Quality Act, resource agency permits, and other associated

entitlements. The commercial property is currently zoned for commercial use but has no other approved entitlements.

Competing projects and properties that may affect the ability of SPT – Lake Elsinore Holding Co., LLC to sell the Lake Elsinore Property at an acceptable price include existing and planned residential communities within the Lake Elsinore submarket and unentitled land that is approved for development during the holding period for the subject properties. In addition, indirect competition from resales and foreclosure sales will also affect the timing and pricing for residential subdivisions in the Lake Elsinore submarket. Based on data collected from a lot inventory analysis conducted by Province West Residential Land Brokerage Services, a land brokerage firm, as of July 2009, there were approximately 2,833 finished, blue topped lots, and 993 mass graded lots in the Lake Elsinore, California submarket. There are an additional 3,093 lots that have tentative map approval in the Lake Elsinore submarket. Finished lots are fully improved lots ready for home construction, with wet and dry utilities and street improvements to serve the lots. Blue topped lots are graded lots without utilities, and usually lack street improvements other than grading and temporary drainage. Mass graded lots include groups of adjacent lots that have been graded to the general configuration of the final lots, but will require additional grading, utility installation and street improvements to finish the mass graded lots.

Future development and sale of the Lake Elsinore Property is subject to certain requirements, including: (i) extension of development agreement and other land use entitlements, (ii) completion of public infrastructure improvements, (iii) obtaining off-site easements for construction of project roadways, and (iv) market conditions.

Extension of a Development Agreement. The development agreement associated with the projects is set to expire in June 2010. Advisor representatives met with the City of Lake Elsinore in September 2009 to discuss extending the development agreement to the year 2020 to allow for the development and build-out of the associated projects. The City of Lake Elsinore was receptive to an extension of the development agreement, and a draft agreement for the extension is being prepared for review by the City of Lake Elsinore. Tentative map expirations for the projects are tied to the development agreement, and as such will not expire if an extension of the development agreement is approved. If we are unable to secure approval of the extension for the development agreement, the subject tentative maps could expire and we would lose the benefits of the development agreement, including reduced development impact fees that were previously negotiated as part of the development agreement. If this occurs, we will evaluate alternatives for the projects, including legal remedies to reinstate the development agreement and the processing of new entitlements for the subject properties.

Completion of Public Infrastructure Improvements. Offsite water and sanitary sewage treatment utilities to serve the projects are dependent on a nearby project proposed by Pulte Homes and other underlying landowners (together “landowner”). If the landowner project delays the development of the subject properties, we will have to either wait until landowner develops its property and extends the utilities, or enter into a reimbursement agreement with landowner to allow us to finance all of the necessary infrastructure improvements and later receive reimbursement from landowner. If we are unable to enter into a cost-sharing and reimbursement agreement with landowner, there will be additional costs allocated to our subject properties. The additional costs will be projected and

factored into the decision making process as to whether we should proceed with development or wait until the landowner project constructs the water and sewer infrastructure.

Obtaining Off-Site Easements. Offsite grading easements will need to be obtained from adjacent property owners in order to construct a project roadway as designed. We will negotiate with each land owner, and may be required to pay a fee for easements, but we currently expect the costs of the easements to be reasonable. This is a normal and customary process in our business. Because the proposed road is a dedicated public street, if any of the land owners refuse to grant the necessary easement, the City of Lake Elsinore may use its power of eminent domain to obtain the easement. The City of Lake Elsinore's eminent domain power, coupled with the benefits paved streets, provides the subject adjacent land owners from whom Buyer needs the grading easements with an incentive to agree to the easements.

Market Conditions. If the market conditions are such that there are no buyers for the subject properties in their fully entitled condition, we will either hold the properties and wait until the market improves to the point of producing viable buyers at acceptable price points, or elect to transfer the property to an entity that specializes in site improvement construction which entity could be our taxable REIT subsidiary. In case of the latter, the transferee would grade the site to super-pad conditions or continue past the super-pad condition to create finished lots which can then be sold to home builders on a lot take down program. We would maintain the existing property entitlements, and would file applications to extend the development agreement and tentative maps associated with the acquired properties. We have good working relationships with current elected officials and city staff which should enable us to effectively maintain the entitlements when necessary.

Chino Hills Property

We plan to hold the Chino Hills Property and market the land for sale as "mitigation land" (land used by developers to satisfy legal requirements to compensate for the environmental impact of their development projects elsewhere), as the 400 acres present an opportunity for mitigation in a highly visible area along California State Routes 91 and 71. Potential buyers of mitigation land include local government agencies, conservation funds and authorities, and private developers seeking mitigation land as conditions of their developments. The property is located in an area designated as Potential Conservation Land on the Orange County Transportation Authority's Green Vision Map, and is highly consistent with the criteria for conservation lands. The property is consistent with the following key conservation criteria:

- Provides connectivity and habitat for wildlife movement;
- Enhances natural lands contiguity – adjacent to Chino Hills State Park;
- Consistent with impacted habitats including grasslands and riparian woodland habitats;
- Provides an opportunity to partner with agencies and organizations through Chino Hills State Park;
- Offers scenic views, trail access and extensions, and expanded access to Chino Hills State Park in an area that is highly visible along California State Routes 91 and 71.

Other properties that are not yet identified as mitigation land may compete with our business plan to sell the Chino Hills Property for mitigation as land owners may attempt to sell their properties as mitigation rather than development property due to the downturn in the real estate market. However, the large size (400 acres) of the Chino Hills Property and its unique location provide distinct advantages when marketing the property for sale as mitigation land.

Our holding and ultimate sale of the Chino Hills Property is subject to certain requirements, including: (i) site maintenance, and (ii) market conditions.

Site Maintenance. The Chino Hills Property is undeveloped, but must be maintained to reduce the potential for wildfires through clearing of brush and debris that are potential fire hazards. In October 2008, the majority of the vegetation on the property was burned in a large regional wildfire that started on a nearby property and spread to the subject property by Santa Ana winds. We will maintain the property by periodically removing and thinning vegetation consistent with applicable laws and regulations.

Market Conditions. The timing of a sale of the Chino Hills Property as mitigation land is unknown at this time. If the market conditions are such that there are no buyers for the Chino Hills Property, we currently plan to hold the property until there is such a market.

Taxes

Annual taxes are estimated at \$63,572 for the Lake Elsinore Property and \$34,551 for the Chino Hills Property at a tax rate of 1.0043% and 1.0057% on the basis of an allocation of the purchase price of \$6,330,000 to the Lake Elsinore Property and \$3,270,000 to the Chino Hills Property.”

III. Shopoff Securities Inc.

On November 3, 2009, pursuant to SEC Rule 17a-11, Shopoff Securities, Inc. (the “firm”), the sole broker dealer for our on-going initial public offering, became aware of a net capital deficiency. The firm operates under the SEC rule 15c3-3 exemption and has a minimum net capital requirement of \$5,000. On November 3, 2009, the firm had \$1,394 in net capital which was deficient of the minimum net capital requirement by \$3,606. The firm took the following steps to correct this matter: The firm ceased all securities business and informed the Financial Industry Regulatory Authority, its designated examining authority, of the net capital violation. The deficiency was corrected on November 5, 2009 and the Financial Industry Regulatory Authority approved the firm to resume security business operations on November 18, 2009.

IV. Prior Performance Summary

A. Registration Statement Programs — Shopoff Properties Trust, Inc. — On-going Programs

1. SPT Real Estate Finance, LLC

a. *Mesquite Venture I, LLC Loan.* A third paragraph is hereby added to program #1, SPT Real Estate Finance, LLC, on Page 70 of the Prospectus, to update the status of the Mesquite Venture I, LLC loan transaction:

“Mesquite Venture I, LLC failed to pay its August 1, 2009 installment of principal and interest on the Senior Loan and all subsequent installments of principal and interest on the Senior Loan. Accordingly, on September 28, 2009, a Notice of Default and Election to Sell Under Deed of Trust (“NOD”) was recorded on behalf of East West Bank, as beneficiary, with respect to a senior deed of trust securing certain obligations of Mesquite Venture I, LLC to East West Bank, including without limitation indebtedness under a promissory note in the original principal amount of \$3,681,000 (the “Senior Loan”). As of the date hereof, Mesquite Venture I, LLC has also failed to pay the \$10,000 loan extension fee due on October 1, 2009 to SPT Real Estate Finance, LLC, under the Secured Note. As a result of Mesquite Venture I, LLC’s default on the Senior Loan, and on the Secured Note, SPT Real Estate Finance, LLC is pursuing its legal remedies against the guarantors of the Secured Note.”

b. *Aware Loan.* The following paragraphs are further added under program #1 — SPT Real Estate Finance, LLC, on Page 70 of the Prospectus to include disclosure of a loan (and the collateral acquired as a result of the borrower’s default on such loan) referred to as the “Aware Loan:”

“On January 9, 2009, SPT Real Estate Finance, LLC, made two separate loans to Aware Development Company, Inc. (“Aware”), in the aggregate amount of \$2,300,000. The loans to Aware were made pursuant to two promissory notes, which were secured by two separate collateral pledge agreements encumbering the following real property located in Riverside County, California:

- approximately 118 acres of vacant and unentitled land located near the City of Lake Elsinore, in an unincorporated area of Riverside County, California (the “Meadowbrook Project”); and
- approximately 6.11 acres of vacant and unentitled land located near the City of Lake Elsinore, in an unincorporated area of Riverside County, California (the “Coffman Project”).

The Meadowbrook Project and the Coffman Project are, collectively, the “Lake Elsinore Properties.”

The making of the loans to Aware was a related party transaction in that, immediately prior to the loans being made, Aware purchased from Vineyard Bank two loans made by Vineyard Bank (the “Vineyard Loans”) to our affiliate Springbrook Investments, L.P. whose general partner is a California corporation wholly owned by the Shopoff Revocable Trust.

In lieu of payment of the Vineyard Loans, Aware assigned the Vineyard Loans to SPT Real Estate Finance, LLC. The assignment was completed and documented by two separate Memoranda of Assignment of Note, Deed of Trust and Loan Documents, each dated August 29, 2009.

At the time of the assignment of the Vineyard Loans to SPT Real Estate Finance, LLC, the Vineyard Loans were in default and all obligations of Springbrook were due and payable in full. Springbrook executed and delivered to SPT Real Estate Finance, LLC grant deeds to the Lake Elsinore Properties, the underlying real estate collateral for the Vineyard Loans, in consideration for the discharge by SPT Real Estate Finance, LLC of all Springbrook’s obligations under the Vineyard Loans. On September 4, 2009, SPT Real Estate Finance, LLC took title to the Lake Elsinore Properties and on September 24, 2009, SPT Real Estate Finance, LLC deeded the Lake Elsinore Properties to our affiliate, SPT Lake Elsinore Holding Co., LLC.”

2. SPT SWRC, LLC

The following paragraph is added under program #2 — SPT SWRC, LLC, on Page 70 of the Prospectus to update the disclosure regarding property acquired from Pulte Home:

“The Pulte Home Project is also the subject of a dispute regarding obligations retained by both Pulte Home, when it sold the Winchester Ranch project to SPT SWRC, LLC, on December 31, 2008, and by SPT SWRC, LLC when it resold the Winchester Ranch project to Khalda on March 20, 2009, to complete certain improvements, such as grading and infrastructure (the “Improvements”). Both sales were made subject to the following agreements which, by their terms, required the Improvements to be made: (i) a Reconveyance Agreement, dated November 15, 2007, by and among Pulte Home and the prior owners of the Winchester Ranch project — Barratt American Incorporated, Meadow Vista Holdings, LLC (“Meadow Vista”) and Newport Road 103, LLC (“Newport”) (the “Reconveyance Agreement”), and (ii) a letter agreement, dated December 30, 2008, executed by SPT SWRC, LLC, Meadow Vista, and Newport, and acknowledged by Pulte Home (the “Subsequent Letter Agreement”). Meadow Vista and

Newport, as joint claimants (the “Claimants”) against Pulte Home and SPT SWRC, LLC, have initiated binding arbitration in an effort to require Pulte Home to reaffirm its obligations under the Reconveyance Agreement and the Subsequent Letter Agreement to make the Improvements in light of the subsequent transfer of ownership of the Winchester Ranch project to Khalda, and to require that certain remedial measures be taken to restore the site to a more marketable condition. SPT SWRC, LLC maintains that it is not a proper party to the arbitration, because the declaratory action being sought by the Claimants is to establish rights of the Claimants against Pulte Home, and not against SPT SWRC, LLC, and neither SPT SWRC, LLC nor Pulte Home has taken the position that their respective transfers of the Winchester Ranch project has released them from the obligation to make the Improvements. The arbitration process is at its inception and, although we believe the request for declaratory relief by the Claimants has no legal basis and that the issue is not arbitrable since no actual dispute exists, we cannot predict the outcome of the arbitration proceedings at this time.”

3. SPT — Lake Elsinore Holding Co., LLC

The text beginning on Page 5 of Supplement No. 1, under the heading “V. Prior Performance Summary” with respect to SPT — Lake Elsinore Holding Co., LLC is hereby deleted and replaced in its entirety with the updated disclosure below:

“SPT — Lake Elsinore Holding Co., LLC, a Delaware limited liability company wholly owned by our affiliate Shopoff Partners, L.P., was formed for the purpose of making real estate investments in the Lake Elsinore area of Riverside County, California. The following is a summary of the acquisitions made to date:

- April 2009 — 65 finished lots located in the City of Lake Elsinore, Riverside County, California, commonly known as “Wasson Canyon,” for the purchase price of \$650,000;
- May 2009 — 543 single family residential lots, a 9.4 acre park and over 70 acres of open space on a total of 225 acres of unimproved land, commonly referred to as tract 29835 located in the City of Menifee, Riverside County, California, commonly known as the “Underwood Project” for the purchase price of \$1,650,000;
- September 24, 2009 — approximately 118 acres of vacant and unentitled land, commonly known as “Meadowbrook” and approximately 6.11 acres of vacant and unentitled land commonly known as “Coffman,” both located near the City of Lake Elsinore in an unincorporated area of Riverside County, California, acquired from an affiliated entity, SPT Real Estate Finance, LLC. The tax basis of the Meadowbrook and Coffman properties when acquired was \$2,614,134;
- November 2009 — 519 entitled but unimproved residential lots and 2 commercial lots located in the City of Lake Elsinore, California and 400 acres of unentitled and unimproved land located in the City of Chino Hills, California for the purchase price of \$9,600,000.

SPT — Lake Elsinore Holding Co., LLC has used \$12,684,271 from the proceeds of the sale of our common stock to acquire these investments. To date, no net income has resulted from this program.”

B. Programs Similar in Nature to Registration Statement Objectives — Ongoing Programs

#22A MRF Carbon Canyon, L.P. and #22B — MRF Carbon Canyon II, L.P.

Programs #22A — MRF Carbon Canyon, L.P. and #22B — MRF Carbon Canyon II, L.P. , as updated on Page 5 of the Supplement No. 1, are hereby further updated to disclose that the trustee sale occurred on October 13, 2009.

#26 — TSG Little Valley, L.P.

Program #26 on Page 81 of the Prospectus is hereby supplemented with the updated disclosure below:

“On November 12, 2009 TSG Little Valley, L.P. purchased from Whiterock Acquisition Co., L.P. for an aggregate purchase price of \$3,000,000 (i) 298 entitled but unimproved residential lots and 2 commercial lots located in the City of Lake Elsinore, California (the “Ramsgate Property”), (ii) 58 entitled but unimproved residential lots located in the City of Lake Elsinore California (the “Little Valley Property”), and (iii) 400 acres of unentitled and unimproved land located in the City of Chino Hills, California (the “Chino Hills Property”).

Concurrent with the three separate acquisitions from Whiterock Acquisition Co., L.P., on November 12, 2009, TSG Little Valley, L.P. purchased the Asset Management Agreements on the Ramsgate Property, Little Valley Property and Chino Hills Property from Eastbridge Partners, L.P. for \$1,710,000. The previously mentioned Asset Management Agreements were between Whiterock Acquisition Co., L.P. and Eastbridge Partners, L.P., as Asset Manager for Whiterock Acquisition Co., L.P. , an entity owned by Credit-Suisse.

On November 12, 2009, TSG Little Valley, L.P. sold all of its real estate holdings to SPT Lake Elsinore Holding Co., LLC (see SPT Lake Elsinore Holding Co., LLC above under Registration Statement Programs – Shopoff Properties Trust, Inc. – On-going Programs) for a sales price of \$9,600,000. \$2,900,000 of the sales price was paid by SPT — Lake Elsinore Holding Co., LLC’s execution and delivery into escrow of (a) an all-inclusive purchase money note secured by deed of trust in favor of TSG Little Valley, L.P. as payee therein, in the principal amount of \$2,900,000, and (b) an all-inclusive deed of trust executed by SPT — Lake Elsinore Holding Co., LLC in favor of TSG Little Valley, L.P. as beneficiary therein, securing the foregoing all-inclusive purchase money note.”

#34 TSG El Toro L.P.

Program #34 — TSG EL Toro, L.P., as updated on Page 6 of the Supplement No. 1, is hereby further updated to disclose that the trustee sale occurred on December 9, 2009.

C. Institutional Programs – No Ownership; Management Agreement

Program #42D, #43, and #44, on Page 88 of the Prospectus, are hereby supplemented with the updated disclosure below:

1. ***#42D — Ramsgate***

“On November 12, 2009, Whiterock Acquisition Co., L.P. sold the Ramsgate Property to TSG Little Valley, L.P. (see program number #26 under Programs Similar in Nature to Registration Statement Objectives — Ongoing Programs) for a sales price of \$1,557,875, including the projects Asset Management Agreement sold separately to TSG Little Valley, L.P.

2. #43 — Asset Management Agreement on Chino Hills

“On November 12, 2009, Whiterock Acquisition Co., L.P. sold the Little Valley Property to TSG Little Valley, L.P. (see program number #26 under Programs Similar in Nature to Registration Statement Objectives — Ongoing Programs) for a sales price of \$2,714,698, including the projects Asset Management Agreement sold separately to TSG Little Valley, L.P.

3. #44 — Asset Management Agreement on Little Valley

“On November 12, 2009, Whiterock Acquisition Co., L.P. sold the Chino Hills Property to TSG Little Valley, L.P. (see program number #26 under Programs Similar in Nature to Registration Statement Objectives — Ongoing Programs) for a sales price of \$437,427, including the projects Asset Management Agreement sold separately to TSG Little Valley, L.P.

V. Quarterly Report for the Quarter Ended September 30, 2009

On November 16, 2009, we filed with the Securities and Exchange Commission our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, a copy of which is attached to this Supplement as Exhibit A (without exhibits).

EXHIBIT A

**Form 10-Q for the period ended September 30, 2009
filed on November 16, 2009**

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2009

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

From the transition period from _____ to _____

Commission File Number: 333-139042

SHOPOFF PROPERTIES TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland

*(State or Other Jurisdiction of
Incorporation of Organization)*

20-5882165

*(I.R.S. Employer
Identification No.)*

**8951 Research Drive
Irvine, California**

(Address of Principal Executive Offices)

92618

(Zip Code)

(877) 874-7348

(Registrant's Telephone Number, Including Area Code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule-405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 16, 2009, there were 1,912,100 shares of Shopoff Properties Trust, Inc. outstanding.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The Registration Statement on Form S-11 (the “Registration Statement”) of Shopoff Properties Trust, Inc. (the “Company”) was declared effective by the Securities and Exchange Commission (the “SEC”) on August 29, 2007. The September 30, 2009 condensed consolidated financial statements of the Company required to be filed with this Quarterly Report on Form 10-Q within 45 days of the quarter end was prepared by management without audit and commences on the following page, together with the related notes. In the opinion of management, the September 30, 2009 condensed consolidated financial statements present fairly the financial position, results of operations and cash flows of the Company. This report should be read in conjunction with the annual report of the Company for the year ended December 31, 2008, included in the Company’s Form 10-K previously filed with the SEC on March 31, 2009.

SHOPOFF PROPERTIES TRUST, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
As of September 30, 2009 (Unaudited) and December 31, 2008

	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Cash and cash equivalents	\$ 5,883,379	\$ 7,486,696
Restricted cash	43,700	—
Notes receivable, net	621,173	558,000
Real estate deposits	2,000,000	3,300,000
Real estate investments	8,511,917	2,614,134
Prepaid expenses and other assets	114,373	55,807
Property and equipment, net	108,068	45,047
Total Assets	\$ 17,282,610	\$ 14,059,684
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	\$ 283,259	\$ 64,596
Due to related parties	14,555	132,135
Note payable secured by real estate investment	2,000,000	—
Total Liabilities	2,297,814	196,731
Equity		
Shopoff Properties Trust, Inc. stockholders equity:		
Common stock, \$0.01 par value; 200,000,000 shares authorized; 1,907,500 and 1,857,300 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	19,075	18,573
Additional paid-in capital, net of offering costs	15,612,835	15,472,346
Subscribed stock, \$0.01 par value, 4,600 shares subscribed	43,700	—
Accumulated deficit	(690,914)	(1,628,066)
Total Shopoff Properties Trust, Inc. stockholders equity	14,984,696	13,862,853
Noncontrolling interest	100	100
Total Equity	14,984,796	13,862,953
Total Liabilities and Equity	\$ 17,282,610	\$ 14,059,684

The accompanying notes are an integral part of these condensed consolidated financial statements.

SHOPOFF PROPERTIES TRUST, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Nine months Ended September 30, 2009 and 2008
(Unaudited)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine months Ended September 30, 2009	Nine months Ended September 30, 2008
Revenues:				
Sale of real estate	\$ —	\$ —	\$ 5,000,000	\$ —
Interest income, notes receivable	42,345	—	387,819	—
Interest income and other	5,212	50,127	31,890	73,252
Loan Fees	30,000	—	30,000	—
	<u>77,557</u>	<u>50,127</u>	<u>5,449,709</u>	<u>73,252</u>
Expenses:				
Cost of sales of real estate	51,920	—	2,958,928	—
Stock based compensation	474,556	—	474,556	—
Professional fees	84,038	47,394	341,897	111,200
Insurance	52,176	41,168	163,779	152,787
General and administrative	27,846	13,599	160,398	40,926
Dues and Subscriptions	37,008	—	124,802	—
Director compensation	40,614	15,958	117,433	15,958
Acquisition fees paid to advisor	—	—	69,000	—
Due diligence costs related to properties not acquired	1,687	595,018	33,947	595,018
	<u>769,845</u>	<u>713,137</u>	<u>4,444,740</u>	<u>915,889</u>
Net (loss) income before income taxes	(692,288)	(663,010)	1,004,969	(842,637)
Provision for income taxes	(48,663)	—	67,818	—
Net (loss) income available to common shareholders per common share:	<u>\$ (643,625)</u>	<u>\$ (663,010)</u>	<u>\$ 937,151</u>	<u>\$ (842,637)</u>
Basic	<u>\$ (0.34)</u>	<u>\$ (1.05)</u>	<u>\$ 0.50</u>	<u>\$ (3.67)</u>
Diluted	<u>\$ (0.34)</u>	<u>\$ (1.05)</u>	<u>\$ 0.45</u>	<u>\$ (3.67)</u>
Weighted-average number of common shares outstanding used in per share computations:				
Basic	<u>1,876,546</u>	<u>632,095</u>	<u>1,867,947</u>	<u>229,291</u>
Diluted	<u>1,876,546</u>	<u>632,095</u>	<u>2,084,697</u>	<u>229,291</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

SHOPOFF PROPERTIES TRUST, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine months Ended September 30, 2009 and 2008
(Unaudited)

	Nine months Ended September 30, 2009	Nine months Ended September 30, 2008
Cash Flows From Operating Activities		
Net income (loss)	\$ 937,151	\$ (842,637)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Gain on sale of real estate investment	(2,069,914)	—
Depreciation expense	17,761	—
Stock based compensation expense	474,556	—
Changes in assets and liabilities:		
Due to related parties	(117,580)	(149,841)
Accounts payable and accrued liabilities	218,663	45,026
Prepaid expenses and other assets	(58,565)	(36,480)
Net cash used in operating activities	<u>(597,928)</u>	<u>(983,932)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(80,780)	—
Notes receivable, net	(63,173)	(537,000)
Real estate investments	(6,511,917)	—
Proceeds from sale of real estate investment, net	4,684,047	—
Real estate deposits	1,300,000	—
Net cash used in investing activities	<u>(671,823)</u>	<u>(537,000)</u>
Cash Flows From Financing Activities		
Offering costs paid to advisor	(477,965)	(2,078,357)
Stock subscriptions	43,700	76,807
Issuance of common stock to subscribers	144,400	16,200,350
Restricted cash	(43,701)	778,765
Net cash (used in) provided by financing activities	<u>(333,566)</u>	<u>14,977,565</u>
Net change in cash	(1,603,317)	13,456,633
Cash, beginning of period	7,486,696	200,550
Cash, end of period	<u>\$ 5,883,379</u>	<u>\$ 13,657,183</u>
Supplemental Information For Non-Cash Investing and Financing Activities		
Acquisition of land with assumption of debt	<u>\$ 2,000,000</u>	<u>\$ —</u>
Cash paid for income taxes	<u>\$ 91,500</u>	<u>\$ —</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

SHOPOFF PROPERTIES TRUST, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ORGANIZATION AND NATURE OF BUSINESS

Shopoff Properties Trust, Inc. (the "Trust") was incorporated on November 16, 2006 under the laws of the State of Maryland. The Trust intends to elect to be treated as a real estate investment trust ("REIT") for federal income tax purposes for its tax year ending December 31, 2010. The Trust was incorporated to raise capital and acquire ownership interests in undervalued, undeveloped, non-income producing real estate assets for which the Trust will obtain entitlements and hold such assets as long-term investments for eventual sale. In addition, the Trust may acquire partially improved and improved residential and commercial properties and other real estate investments. It is presently expected that the majority of the Trust's real estate related assets will be located in California, Nevada, Arizona, Hawaii and Texas. The Trust and all of its majority-owned subsidiaries are hereinafter collectively referred to as (the "Company" or "We").

The recent focus of our acquisitions has been on distressed or opportunistic property offerings. At our inception, our focus was on adding value to property through the entitlement process, but the current real estate market has generated a supply of real estate projects that are all partially or completely developed versus vacant, undeveloped land. This changes the focus of our acquisitions to enhancing the value of real property through redesign and engineering refinements and removes much of the entitlement risk that we expected to undertake. Although acquiring distressed assets at greatly reduced prices from the peaks of 2005-2006 does not guaranty us success, we believe that it does allow us the opportunity to acquire more assets than previously contemplated.

We believe there will be continued distress in the real estate market in the near term and expect this to put downward pressure on near term prices. Our view of the mid to long term is more positive, and we expect property values to improve over the four- to ten-year time horizon. Our plan is to be in a position to capitalize on these opportunities for capital appreciation.

The Company is conducting a best-efforts initial public offering in which it is offering 2,000,000 shares of its common stock at a price of \$9.50 per share. If the 2,000,000 shares are sold, the offering price will increase to \$10.00 per share until an additional 18,100,000 shares of common stock are sold. On August 29, 2008, the Company met the minimum offering requirement of the sale of at least 1,700,000 shares of common stock. As of September 30, 2009, the Company had accepted subscriptions for the sale of 1,851,400 shares of its common stock at a price of \$9.50 per share not including 21,100 shares issued to The Shopoff Group L.P. and not including 35,000 shares of vested restricted stock issued to certain officers and directors. As of September 30, 2009, the Company had sold but not yet accepted subscriptions for the sale of 4,600 shares of its common stock at a price of \$9.50 per share. As of September 30, 2009, the Company had 144,000 shares of common stock at a price of \$9.50 and 18,100,000 shares at a price of \$10.00 remaining for sale. On August 27, 2009, the Company announced that it had extended the expiration date of its best-efforts initial public offering by one year, from August 29, 2009 until August 29, 2010 (or until the date the entire offering is sold).

On December 31, 2008, we acquired our first real estate property, which was sold on March 20, 2009 (See Note 4). As such, management believes that the Company has commenced its planned principal operations and transitioned from a development stage enterprise to an active company. The Company adopted December 31 as its fiscal year end.

As of September 30, 2009, the Company owned five properties, sixty five finished residential lots in the City of Lake Elsinore, California purchased for \$650,000, five hundred forty three unimproved residential lots in the City of Menifee, California purchased for \$1,650,000, a final plat of 739 single family residential lots on a total of 200 acres of unimproved land in the Town of Buckeye, Maricopa County, Arizona purchased for \$3,000,000, approximately 118 acres of vacant and unentitled land located near the City of Lake Elsinore, in an unincorporated area of Riverside County, California acquired via a Settlement Agreement with Springbrook Investments, L.P., a California limited partnership ("Springbrook"), in which Springbrook agreed to execute and deliver a grant deed to the underlying real estate collateral in consideration for the discharge by the Company of all of Springbrook's obligations under a secured promissory note owned by the Company and approximately 6.11 acres of vacant and unentitled land located near the City of Lake Elsinore, in an unincorporated area of Riverside County, California also acquired via a Settlement Agreement with Springbrook, in which Springbrook agreed to execute and deliver a grant deed to the underlying real estate collateral in consideration for the discharge by the Company of all of Springbrook's obligations under a second, separate secured promissory note owned by the Company (See Note 4). Through June 30, 2009, the Company had originated three loans, a \$600,000 secured loan to Mesquite Venture I, LLC and

two secured loans totaling \$2,300,000 to Aware Development Company, Inc. of which one loan, the \$600,000 secured loan to Mesquite Venture I, LLC was outstanding as of September 30, 2009 (See Note 3).

The Company's day-to-day operations are managed by Shopoff Advisors, L.P., a Delaware limited partnership (the "Advisor"), as further discussed in Note 7. The Advisor manages, supervises and performs the various administrative functions necessary to carry out our day-to-day operations. In addition, the Advisor identifies and presents potential investment opportunities and is responsible for our marketing, sales and client services. Pursuant to the Advisory Agreement, the Advisor's activities are subject to oversight by our board of directors.

All of the properties acquired on behalf of us are owned or managed by Shopoff Partners, L.P., a Maryland limited partnership of which we own a majority interest (the "Operating Partnership"), or by wholly owned subsidiaries of the Operating Partnership. The Trust's wholly owned subsidiary, Shopoff General Partner, LLC, a Maryland limited liability company (the "Sole General Partner"), is the sole general partner of the Operating Partnership and owns 1% of the equity interest therein. The Trust and the Advisor own 98% and 1% of the Operating Partnership, respectively, as limited partners.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies presented below is designed to assist in understanding the Company's condensed consolidated financial statements. Such financial statements and accompanying notes are the representation of the Company's management, who is responsible for their integrity and objectivity.

The information furnished has been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial reporting, the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and disclosures have been condensed or omitted and therefore should be read in conjunction with the consolidated financial statements and notes thereto contained in the annual report on Form 10-K for the year ended December 31, 2008. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (which consisted only of normal recurring adjustments) which management considers necessary to present fairly the financial position of the Company as of September 30, 2009, the results of operations for the three and nine month periods ended September 30, 2009 and 2008, and cash flows for the nine months ended September 30, 2009 and 2008. The results of operations for the three months ended September 30, 2009 are not necessarily indicative of the results anticipated for the entire year ending December 31, 2009. Amounts related to disclosure of December 31, 2008 balances within these interim condensed consolidated financial statements were derived from the audited 2008 consolidated financial statements and notes thereto.

Principles of Consolidation

Since the Company's wholly owned subsidiary, Shopoff General Partner, LLC, is the sole general partner of the Operating Partnership and has unilateral control over its management and major operating decisions (even if additional limited partners are admitted to the Operating Partnership), the accounts of the Operating Partnership are consolidated in the Company's consolidated financial statements. The accounts of Shopoff General Partner, LLC are also consolidated in the Company's consolidated financial statements since it is wholly owned by the Company. SPT Real Estate Finance, LLC, SPT-SWRC, LLC, SPT — Lake Elsinore Holding Co., LLC and SPT AZ Land Holdings, LLC are also 100% owned by the Operating Partnership and therefore their accounts are consolidated in the Company's financial statements as of September 30, 2009 and December 31, 2008.

All intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

It is the Company's policy to require management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. These estimates will be made and evaluated on an on-going basis, using information that is currently available as well as applicable assumptions believed to be reasonable under the circumstances. Actual results may vary from those estimates; in addition, such estimates could be different under other conditions and/or if we use alternative assumptions.

Reclassifications

Certain amounts in the Company's prior period consolidated financial statements have been reclassified to conform to the current period presentation. These reclassifications have not changed the results of operations of prior periods.

Cash and Cash Equivalents

The Company considers all highly liquid short-term investments with original maturities of three months or less when purchased to be cash equivalents.

Concentrations of Credit Risk

The financial instrument that potentially exposes the Company to a concentration of credit risk principally consists of cash. The Company deposits its cash with high credit financial institutions. As of September 30, 2009, the Company maintained cash balances at certain financial institutions in excess of the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000 (\$100,000 prior to September 30, 2008). Bank balances in excess of the FDIC limit as of September 30, 2009 and December 31, 2008 approximated \$17 and \$2,481,000, respectively.

As of September 30, 2009 and December 31, 2008, the Company maintained marketable securities in a money market account at certain financial institutions in excess of the Securities Investor Protection Corporation ("SIPC") limit of \$500,000. Bank balances in excess of the SIPC limit as of September 30, 2009 and December 31, 2008 approximated \$4,452,000 and \$3,961,000, respectively. This money market account, also known as a brokerage safekeeping account, is protected by additional coverage that the financial institution has purchased through Lloyd's of London, which provides additional protection up to \$149.5 million.

The Company's real estate related assets are located in Arizona, California and Nevada. Accordingly, there is a geographic concentration of risk subject to fluctuations in the local economies of Arizona, California and Nevada. Additionally, the Company's operations are generally dependent upon the real estate industry, which is historically subject to fluctuations in local, regional and national economies.

Revenue and Profit Recognition

It is the Company's policy to recognize gains on the sale of investment properties. In order to qualify for immediate recognition of revenue on the transaction date, the Company requires that the sale be consummated, the buyer's initial and continuing investment be adequate to demonstrate a commitment to pay, any receivable resulting from seller financing not be subject to future subordination, and that the usual risks and rewards of ownership be transferred to the buyer. We would expect these criteria to be met at the close of escrow. The Company's policy also requires that the seller not have any substantial continuing involvement with the property. If we have a commitment to the buyer in a specific dollar amount, such commitment will be accrued and the recognized gain on the sale will be reduced accordingly.

Transactions with unrelated parties which in substance are sales but which do not meet the criteria described in the preceding paragraph will be accounted for using the appropriate method (such as the installment, deposit, or cost recovery method) as set forth in the Company's policy. Any disposition of a real estate asset which in substance is not deemed to be a "sale" for accounting purposes will be reported as a financing, leasing, or profit-sharing arrangement as considered appropriate under the circumstances of the specific transaction.

For income-producing properties, we intend to recognize base rental income on a straight-line basis over the terms of the respective lease agreements (including any rent holidays). Differences between recognized rental income and amounts contractually due under the lease agreements will be credited or charged (as applicable) to rent receivable. Tenant reimbursement revenue, which is expected to be comprised of additional amounts recoverable from tenants for common area maintenance expenses and certain other expenses, will be recognized as revenue in the period in which the related expenses are incurred.

Interest income on the Company's real estate notes receivable is recognized on an accrual basis over the life of the investment using the interest method. Direct loan origination fees and origination or acquisition costs are amortized over the term of the loan as an adjustment to interest income. The Company will place loans on nonaccrual status when concern exists as to the ultimate collection of principal or interest. When a loan is placed on nonaccrual status, the Company will reserve the accrual for unpaid interest and will not recognize subsequent interest income until the cash is received, or the loan returns to accrual status.

Notes Receivable

The Company's notes receivable are recorded at cost, net of loan loss reserves, and evaluated for impairment at each balance sheet date. The amortized cost of a note receivable is the outstanding unpaid principal balance, net of unamortized costs and fees directly associated with the origination or acquisition of the loan.

The Company considers a loan to be impaired when, based upon current information and events, it believes that it is probable that the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. A reserve is established when the present value of payments expected to be received, observable market prices, or the estimated fair value of the collateral (for loans that are dependent on the collateral for repayment) of an impaired loan is lower than the carrying value of that loan.

Cost of Real Estate Assets Not Held for Sale

We anticipate that real estate assets will principally consist of wholly-owned undeveloped real estate for which we will obtain entitlements and hold such assets as long term investments for eventual sale. Undeveloped real estate not held for sale will be carried at cost subject to downward adjustment as described in "Impairment" below. Cost will include the purchase price of the land, related acquisition fees, as well as costs related to entitlement, property taxes and interest. In addition, any significant other costs directly related to acquisition and development of the land will be capitalized. The carrying amount of land will be charged to earnings when the related revenue is recognized.

Income-producing properties will generally be carried at historical cost less accumulated depreciation. The cost of income-producing properties will include the purchase price of the land and buildings and related improvements. Expenditures that increase the service life of such properties will be capitalized; the cost of maintenance and repairs will be charged to expense as incurred. The cost of building and improvements will be depreciated on a straight-line basis over their estimated useful lives, which are expected to principally range from approximately 15 to 39 years. When depreciable property is retired or disposed of, the related cost and accumulated depreciation will be removed from the accounts and any gain or loss will be reflected in operations.

The costs related to abandoned projects are expensed when management believes that such projects are no longer viable investments.

Property Held for Sale

The Company's policy, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets, requires that in a period in which a component of an entity either has been disposed of or is classified as held for sale, the income statements for current and prior periods report the results of operations of the component as discontinued operations.

When a property is held for sale, such property will be carried at the lower of (i) its carrying amount or (ii) the estimated fair value less costs to sell. In addition, a depreciable property being held for sale (such as a building) will cease to be depreciated. We will classify operating properties as held for sale in the period in which all of the following criteria are met:

- Management, having the authority to approve the action, commits to a plan to sell the asset;
- The asset is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such asset;
- An active program to locate a buyer and other actions required to complete the plan to sell the asset has been initiated;
- The sale of the asset is probable, and the transfer of the asset is expected to qualify for recognition as a completed transaction within one year;
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current estimated fair value; and
- Given the actions required to complete the plan to sell the asset, it is unlikely that significant changes to the plan would be made or that the plan would be abandoned.

Selling commissions and closing costs will be expensed when incurred.

We believe that the accounting related to property valuation and impairment is a critical accounting estimate because: (1) assumptions inherent in the valuation of our property are highly subjective and susceptible to change and (2) the impact of recognizing impairments on our property could be material to our condensed consolidated balance sheets and statements of operations. We will evaluate our property for impairment periodically on an asset-

by-asset basis. This evaluation includes three critical assumptions with regard to future sales prices, cost of sales and absorption. The three critical assumptions include the timing of the sale, the land residual value and the discount rate applied to determine the fair value of the income-producing properties on the balance sheet date. Our assumptions on the timing of sales are critical because the real estate industry has historically been cyclical and sensitive to changes in economic conditions such as interest rates and unemployment levels. Changes in these economic conditions could materially affect the projected sales price, costs to acquire and entitle our land and cost to acquire our income-producing properties. Our assumptions on land residual value are critical because they will affect our estimate of what a willing buyer would pay and what a willing seller would sell a parcel of land for (other than in a forced liquidation) in order to generate a market rate operating margin and return. Our assumption on discount rates is critical because the selection of a discount rate affects the estimated fair value of the income-producing properties. A higher discount rate reduces the estimated fair value of such properties, while a lower discount rate increases the estimated fair value of these properties. Because of changes in economic and market conditions and assumptions and estimates required of management in valuing property held for investment during these changing market conditions, actual results could differ materially from management's assumptions and may require material property impairment charges to be recorded in the future.

Long-Lived Assets

The Company's policy requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the cost basis of a long-lived asset held for use is greater than the projected future undiscounted net cash flows from such asset (excluding interest), an impairment loss is recognized. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. There were no impairment losses recorded for the three and nine months ended September 30, 2009 and December 31, 2008.

The Company's policy also requires us to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to shareholders) or is classified as held for sale. Assets to be disposed of are reported at the lower of the carrying amount or estimated fair value less costs to sell.

Earnings Per Share

Basic net income (loss) per share ("EPS") is computed by dividing income (loss) by the weighted average number of common shares outstanding during each period. The computation of diluted net income (loss) further assumes the dilutive effect of stock options, stock warrants and contingently issuable shares, if any.

As of September 30, 2009, the Company had granted 173,750 shares of restricted stock to certain directors and officers, 35,000 of which vested as of September 30, 2009 and 138,750 of which remain unvested as of September 30, 2009. However, such unvested shares were included in the calculation of EPS for the nine months ended September 30, 2009 since their effect will be dilutive.

As of September 30, 2009, the Company had 78,000 stock options that were granted to certain directors and officers, 16,400 of which vested as of September 30, 2009 and 61,600 of which remain unvested as of September 30, 2009. The 78,000 stock options were included in the calculation of EPS for the nine months ended September 30, 2009 since their effect will be dilutive.

The following is a reconciliation of the shares used in the computation of basic and diluted EPS for the three and nine month periods ended September 30, 2009 and 2008, respectively:

	Three Months Ended September 30,		Nine months Ended September 30,	
	2009	2008	2009	2008
	(Unaudited)			
Numerator:				
Net (loss) income	\$ (643,625)	\$(663,010)	\$ 937,151	\$(842,637)
Denominator:				
Weighted average outstanding shares of common stock	1,876,546	632,095	1,867,947	229,291
Effect of contingently issuable restricted stock	—	—	138,750	—
Effect of contingently issuable stock options	—	—	78,000	—
Weighted average number of common shares and potential common shares outstanding	1,876,546	632,095	2,084,697	229,291
Basic (loss) income per common share	\$ (0.34)	\$ (1.05)	\$ 0.50	\$ (3.67)
Diluted (loss) income per common share	\$ (0.34)	\$ (1.05)	\$ 0.45	\$ (3.67)

Estimated Fair Value of Financial Instruments and Certain Other Assets/Liabilities

The Company's financial instruments include cash, accounts receivable, prepaid expenses, security deposits, accounts payable and accrued expenses and notes payable. Management believes that the fair value of these financial instruments approximates their carrying amounts based on current market indicators, such as prevailing interest rates and the short-term maturities of such financial instruments.

Management has concluded that it is not practical to estimate the fair value of amounts due to and from related parties. The Company's policy requires, where reasonable, that information pertinent to those financial instruments be disclosed, such as the carrying amount, interest rate, and maturity date; such information is included in Note 7. Management believes it is not practical to estimate the fair value of related party financial instruments because the transactions cannot be assumed to have been consummated at arm's length, there are no quoted market values available for such instruments, and an independent valuation would not be practicable due to the lack of data regarding similar instruments (if any) and the associated potential cost.

The Company does not have any assets or liabilities that are measured at fair value on a recurring basis and, as of September 30, 2009 and December 31, 2008, did not have any assets or liabilities that were measured at fair value on a nonrecurring basis.

When the Company has a loan that is identified as being impaired or being reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with Company policy and is collateral dependent, it is evaluated for impairment by comparing the estimated fair value of the underlying collateral, less costs to sell, to the carrying value of the loan.

Our Company policy establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices for identical financial instruments in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as instruments that have little to no pricing observability as of the reported date. These financial instruments do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The Company's policy also discusses determining fair value when the volume and level of activity for the asset or liability has significantly decreased and identifying transactions that are not orderly. Company policy emphasizes that even if there has been a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. Furthermore, Company policy requires additional disclosures regarding the inputs and valuation technique(s) used in estimating the fair value of assets and liabilities as well as any changes in such valuation technique(s).

The following items are measured at fair value on a recurring basis subject to the Company's disclosure requirements at September 30, 2009 and December 31, 2008:

		As of September 30, 2009				
		Fair Value Measurements Using:				
	Carrying Value	Total Fair Value	Quoted Markets Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial Assets (Liabilities)						
Cash Equivalents	\$4,951,753	\$4,951,753	\$4,951,753	\$—	\$—	

		As of December 31, 2008				
		Fair Value Measurements Using:				
	Carrying Value	Total Fair Value	Quoted Markets Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial Assets (Liabilities)						
Cash Equivalents	\$4,460,643	\$4,460,643	\$4,460,643	\$—	\$—	

Noncontrolling Interests in Consolidated Financial Statements

The Company classifies noncontrolling interests (previously referred to as "minority interest") as part of consolidated net earnings (\$0 for the each of the quarters ended September 30, 2009 and 2008, respectively) and includes the accumulated amount of noncontrolling interests as part of stockholders' equity (\$100 for the quarter ended September 30, 2009 and year ended December 31, 2008, respectively). The net loss amounts the Company has previously reported are now presented as "Net loss attributable to Shopoff Properties Trust, Inc." and, earnings per share continues to reflect amounts attributable only to the Company. Similarly, in the presentation of shareholders' equity, the Company distinguishes between equity amounts attributable to the Company's stockholders and amounts attributable to the noncontrolling interests — previously classified as minority interest outside of stockholders' equity. Increases and decreases in the Company's controlling financial interests in consolidated subsidiaries will be reported in equity similar to treasury stock transactions. If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interests are remeasured with the gain or loss reported in net earnings.

Stock-Based Compensation

The Company's policy requires that all employee stock options and rights to purchase shares under stock participation plans be accounted for under the fair value method and requires the use of an option pricing model for estimating fair value. Accordingly, share-based compensation is measured at the grant date, based on the fair value of the award.

Subsequent Events

The Company defines subsequent events as transactions and events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The Company's policy requires a disclosure of the date through which subsequent events have been evaluated by management. The Company must conduct the evaluation as of the date the financial statements are issued, and provide disclosure that such date was used for this evaluation. Management has evaluated subsequent events through November 16, 2009, which is the date the accompanying condensed consolidated financial statements were issued.

Recently Issued Accounting Pronouncements

In June 2009, the issued Financial Accounting Standards Board ("FASB") issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162 ("SFAS 168"). Under SFAS 168, The FASB Accounting Standards Codification ("Codification" or "ASC") became the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On July 1, 2009, the Codification superseded all then-existing non-SEC accounting and reporting standards for nongovernmental entities. All nongrandfathered non-SEC accounting literature not included in the Codification became nonauthoritative at that time. SFAS 168 is effective for interim and annual periods ended after September 15, 2009. The adoption of SFAS 168 did not have a significant impact on the Company's condensed consolidated financial statements.

In May 2009, FASB issued Statement of Financial Accounting Standards ("SFAS") No. 165, Subsequent Events ("SFAS 165"), which was incorporated into the FASB Codification 855-10, Subsequent Events—Overall ("FASB ASC 855-10"). FASB ASC 855-10, which is effective for interim and annual periods ending after June 15, 2009,

establishes general standards of and accounting for and disclosure of events that occur after the balances sheet date but before financial statements are issued or are available to be issued. The adoption of FASB ASC 855.10 did not have an impact on the Company's condensed consolidated financial statements.

In April 2009, the FASB issued three FASB Staff Positions ("FSP") related to fair value measurements:

- FSP No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly ("FASB ASC 820-10-65-4")
- FSP No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments ("FASB ASC 825-10-65-1")
- FAS No. FAS 115-2 and FAS 124-2, Recognition and Preservation of Other-Than-Temporary Impairments ("FASB ASC 320-10-65-1")

The adoption of the above FSP's did not have an impact on the Company's condensed consolidated financial statements.

3. NOTES RECEIVABLE

As of September 30, 2009 and December 31, 2008, the Company, through wholly owned subsidiaries, had invested in real estate loans receivable as follows (dollars in thousands):

Loan Name Location of Related Property or Collateral	Date Acquired/ Originated	Property Type	Loan Type	Book Value as of September 30, 2009	Book Value as of December 31, 2008	Contractual Interest Rate	Annual Effective Interest Rate at September 30, 2009	Maturity Date as of September 30, 2009
Mesquite Venture I								
Mesquite, Nevada	9/30/2008	Vacant Land	Second deed of Trust	\$ 600,000	\$ 558,000	14.00%	14.00%	5/15/2010
Reserve for loan losses				<u>—</u>	<u>—</u>			
				<u>\$ 600,000</u>	<u>\$ 558,000</u>			

The following summarizes the activity related to real estate loans receivable for the nine months ended September 30, 2009:

Real estate loans receivable — December 31, 2008	\$ 558,000
Origination of real estate loans	2,300,000
Amortization of prepaid interest	42,000
Real estate loans receivable converted to real estate owned (REO)	(2,300,000)
Provision for loan losses	—
Real estate loans receivable — September 30, 2009	<u>\$ 600,000</u>

Mesquite Venture I, LLC

On September 30, 2008, the Company originated, through SPT Real Estate Finance, LLC, one real estate loan for an amount of \$600,000. All attorney and closing costs were paid by the borrower. The loan is a second position lien behind a \$3,681,000 first position lien. The term of the loan was nine months due on June 30, 2009 and bore interest at an annual rate of 14%. The loan is secured by a deed of trust, assignment of rents and security agreement encumbering real property situated in the City of Mesquite with an appraised value of \$11,000,000 as of July 18, 2008. On September 30, 2008, the Company recorded this real estate loan as a note receivable with \$63,000 of prepaid interest netted against the note balance. Prepaid interest is amortized over the life of the note. The Company recognized interest income related to this note of \$42,000 for the nine months ended September 30, 2009 and \$21,000 for the year ended December 31, 2008. As of September 30, 2009 and December 31, 2008, the note receivable balance net of the unamortized interest was \$600,000 and \$558,000, respectively.

The compensation received by the Company's Advisor and its affiliates in connection with this transaction is as follows: (i) an acquisition fee equal to 3% of the loan amount, or \$18,000, and (ii) monthly asset management fees equal to 1/12 of 2% of the total loan amount, or \$1,000 per month, plus capitalized entitlement and project related costs, for the first year, and then based on the appraised value of the asset after one year. The total compensation received by Shopoff Advisors as of September 30, 2009, was \$30,000.

On or about June 30, 2009, the Company, through SPT Real Estate Finance, LLC, agreed to extend the maturity date of its secured note with Mesquite Venture I, LLC from June 30, 2009 to May 15, 2010. In consideration of this loan extension, Mesquite Venture I, LLC agreed to pay a loan extension fee of five percent of the outstanding principal balance or \$30,000 payable as follows: \$10,000 upon execution of the secured note extension, \$10,000 on October 1, 2009 and \$10,000 on January 1, 2010. Mesquite Venture I, LLC also agreed to make a \$10,000 payment on April 1, 2010 which will be applied against accrued and unpaid interest. Interest will accrue on the outstanding principal balance at an annual rate of fourteen percent and all accrued and unpaid interest and principal will be due and payable in full at the new maturity date of May 15, 2010. As of the date of this filing, Mesquite Venture I, LLC had not made the \$10,000 loan extension fee payment due October 1, 2009. The Company's advisor is currently in discussions with Mesquite Venture I, LLC regarding the unpaid \$10,000 loan extension fee payment due October 1, 2009.

For the three and nine months ended September 30, 2009, SPT Real Estate Finance, LLC recognized accrued interest receivable of \$21,173, on the secured real estate loan.

See Note 11 for additional information.

Aware Development Inc.

On January 9, 2009, SPT Real Estate Finance, LLC closed two separate loans to Aware Development Company, Inc., a California corporation ("Aware"). One loan was in the amount of \$1,886,000 and the other loan was in the amount of \$414,000. The loans were made from the proceeds of the offering and pursuant to two secured note agreements, each dated January 9, 2009 (the "Aware Notes"). The Aware Notes were secured by two separate Collateral Assignment and Pledge of Note, Deed of Trust and Loan Documents, each dated January 9, 2009 (collectively, "Pledge Agreements"), by and between Aware and SPT Real Estate Finance, LLC encumbering real property situated in the County of Riverside, California. Interest was payable on the Aware Notes to SPT Real Estate Finance, LLC at a rate of 28% per annum and the principal amount of the Aware Notes plus accrued interest was due and payable six months from the date of funding, or July 9, 2009. These Aware Notes could not be prepaid in whole or in part prior to such date, except in connection with a payoff by Aware of the underlying senior notes in favor of Vineyard Bank N.A., a national banking association ("Vineyard"), in accordance with the Pledge Agreements.

This was a related party transaction. Prior to the closing, Aware had entered into two separate note purchase agreements with Vineyard. Pursuant to the note purchase agreements, Aware had agreed to purchase from Vineyard two loans made by Vineyard to Springbrook Investments, L.P., a California limited partnership ("Springbrook"), whose general partner is a California corporation which is 100% owned by The Shopoff Revocable Trust dated August 12, 2004 (the "Shopoff Trust"). William and Cindy Shopoff are the sole trustees of the Shopoff Trust. William Shopoff is the president, chief executive officer and chairman of the board of directors of the Company. One of the two loans made by Vineyard to Springbrook was in the original principal amount of \$5,187,000 and the other was in the original principal amount of \$1,072,000 (as heretofore modified, collectively the "Vineyard Loans").

The following were additional material terms with respect to the Vineyard Loans:

- Aware agreed that, in the absence of additional defaults other than payment defaults, Aware would forbear from exercising its rights and remedies under the Vineyard Loans, including without limitation foreclosure, from the date January 9, 2009 through July 9, 2009 ("Forbearance Period"), in order to allow Springbrook time to attempt to refinance the Vineyard Loans. During the Forbearance Period, interest and other required payments required of Springbrook under the Vineyard Loans would continue to accrue at the stated rate, and would be added to principal.
- At any time during the Forbearance Period, Aware agreed to accept, as payment in full under the Vineyard Loans, with respect to one note, the sum of \$1,896,000 plus all accrued interest then due under the Notes, of which amount Springbrook would cause to be paid \$1,886,000 directly to SPT Real Estate Finance, LLC, and \$10,000 to Aware and all other amounts directly to SPT Real Estate Finance, LLC and, with respect to the second note, the sum of \$424,000 plus all accrued interest then due under the Aware Notes, of which amount Springbrook would cause to be paid \$414,000 directly to SPT Real Estate Finance, LLC, and \$10,000 to Aware and all other amounts directly to SPT Real Estate Finance, LLC.

- The commercial guaranties executed by William A. Shopoff, an individual, and William A. Shopoff and Cindy I. Shopoff, as Trustees of the Trust, in connection with the Vineyard Loans, were released, and Aware waived any and all right to recover under the same.

This transaction was approved by a majority of the Company's board of directors (without the participation of William A. Shopoff), including a majority of the Company's independent directors.

On or about July 12, 2009, SPT Real Estate Finance, LLC was informed by Aware that the Forbearance Period had ended and that Springbrook had not made payments in full under the Vineyard Loans which consisted, with respect to one note, of the sum of \$1,886,000 plus all accrued interest due under the Note and, with respect to the second note, the sum of \$414,000 plus all accrued interest due under the Note.

Aware also indicated that, in addition to Springbrook not making payments in full under the Vineyard Loans, Aware would not be paying to SPT Real Estate Finance, LLC as documented in the Pledge Agreements, the aggregate of \$2,300,000 plus accrued interest due and payable to SPT Real Estate Finance, LLC at the maturity date of July 12, 2009 and that in full settlement of its liability to SPT Real Estate Finance, LLC, Aware would be transferring the Pledge Agreements to SPT Real Estate Finance, LLC.

Simultaneously with Aware indicating that it would not be paying to SPT Real Estate Finance, LLC all sums due and owing as agreed to in the Pledge Agreements, the aggregate of \$2,300,000 plus accrued interest due, Highgrove Inc., the general partner of Springbrook of which the sole shareholder is the Shopoff Trust, indicated that it would be executing a deed-in-lieu of foreclosure in favor of SPT Real Estate Finance, LLC.

On August 24, 2009, SPT Real Estate Finance, LLC, acquired ownership of the two Vineyard Loans pursuant to two separate Memoranda of Assignment of Note, Deed of Trust and Loan Documents (the "Assignment Agreements") executed by Aware in favor of SPT Real Estate Finance LLC. Subsequently, SPT Real Estate Finance LLC, as lender pursuant to the Assignment Agreements, entered into two Settlement Agreements, each dated September 3, 2009, with Springbrook. In the Settlement Agreements, Springbrook agreed to execute and deliver to SPT Real Estate Finance, LLC grant deeds to the underlying real estate collateral for the Vineyard Loans in consideration for the discharge by SPT Real Estate Finance, LLC of all Springbrook's obligations under the Vineyard Loans. Accordingly, on September 4, 2009, SPT Real Estate Finance, LLC took title to the following Springbrook properties which served as collateral under the Vineyard Loans:

- approximately 118 acres of vacant and unentitled land located near the City of Lake Elsinore, in an unincorporated area of Riverside County, California; and
- approximately 6.11 acres of vacant and unentitled land located near the City of Lake Elsinore, in an unincorporated area of Riverside County, California.

On September 24, 2009, SPT Real Estate Finance, LLC deeded the collateral under the Vineyard Loans to SPT Lake Elsinore Holding Co., LLC, an affiliated entity wholly owned by the Operating Partnership.

Prior to Aware executing the Assignment Agreements, Aware had provided SPT Real Estate Finance, LLC with an appraisal completed for Vineyard dated June 18, 2008 concluding that the "as is" land value for the 117.24 acre property is \$1,760,000. Aware also provided SPT Real Estate Finance, LLC with an appraisal completed for Vineyard dated June 9, 2008 concluding that the "as is" land value for the 6.11 acre property is \$1,650,000. The total value for the two properties based on the aforementioned appraisals performed in June of 2008 is \$3,410,000. Although the two appraisals are fifteen months old and the Company has not obtained more recent appraisals, the Company believes that the combined appraised value of \$3,410,000 is a representative value for the two properties.

The compensation received by the Company's affiliated advisor, the Advisor, and its affiliates in connection with this transaction was as follows: (i) an acquisition fee equal to 3% of the loan amount, or \$69,000, and (ii) monthly asset management fees equal to 1/12 of 2% of the total loan amount, or \$3,833 per month, plus capitalized entitlement and project related costs, for the first year, and then based on the appraised value of the asset after one year. The total compensation received by Shopoff Advisors as of September 30, 2009, was \$100,208.

For the three and nine months ended September 30, 2009, SPT Real Estate Finance, LLC recognized accrued interest receivable of \$21,173 and \$324,647, respectively, on the two Aware Notes. The Aware Notes of \$1,886,000

and \$414,000 and the related accrued interest receivable previously included in notes receivable are now included as investments in real estate on the accompanying condensed consolidated balance sheets.

4. REAL ESTATE INVESTMENTS

Winchester Ranch (Pulte Home Project)

SPT — SWRC, LLC, an entity wholly owned by the Operating Partnership, was formed in October 2008 principally to acquire real estate properties in the area known as Southwest Riverside County California. Because SPT — SWRC, LLC is wholly owned by the Operating Partnership, the accounts of SPT — SWRC, LLC are consolidated in the Company's consolidated financial statements.

On December 31, 2008, SPT-SWRC, LLC, closed on the acquisition of certain parcels of land (the "Pulte Home Project") pursuant to a Purchase Agreement, dated December 23, 2008, with Pulte Home Corporation, a Michigan corporation ("Pulte Home"), an entity unaffiliated with the Company and its affiliates. The purchase price of the Pulte Home Project was \$2,000,000. The Pulte Home Project is located in an area commonly known as Winchester Ranch and consists of partially improved land with the surface being in the first stage of the grading process and with streets and lots undefined (rough graded). The land is zoned for residential properties with a portion set aside for multi-family residential units.

In connection with this acquisition, the Company incurred acquisition costs of approximately \$614,000, which includes \$476,774 in reconveyance costs that were capitalized in the accompanying condensed consolidated balance sheets as part of the purchase price. The compensation received by the Company's affiliated advisor, the Advisor, and its affiliates upon consummation of this transaction was as follows: (i) an acquisition fee equal to 3% of the contract purchase price, or \$60,000, and (ii) monthly asset management fees equal to 1/12 of 2% of the total contract price, or \$3,333 per month, plus capitalized entitlement and project related costs, for the first year, and then based on the appraised value of the asset after one year.

In connection with the purchase, SPT-SWRC, LLC agreed to replace existing subdivision improvement agreements and related bonds within 180 days of the closing, or September 30, 2009, and it executed a deed of trust in the amount of \$4,692,800 securing this obligation. The deed of trust also secures SPT-SWRC, LLC's obligation to record Tract Map No. 30266-2 within 180 days of the closing (see Note 8). In addition, Pulte Home had the right of first refusal to repurchase the Pulte Home Project, subject to certain terms and conditions and the Company's approval of such repurchase.

On February 27, 2009, SPT-SWRC, LLC entered into a purchase and sale agreement to sell the Pulte Home Project to Khalda Development, Inc. ("Khalda"), an entity unaffiliated with the Company and its affiliates. The contract sales price was \$5,000,000 and the transaction closed escrow on March 20, 2009. The Company recognized a gain on sale related to this transaction of approximately \$2,070,000. In connection with this purchase, Khalda assumed SPT-SWRC, LLC's obligation to replace the existing subdivision improvement agreements and related bonds on or before September 30, 2009. Pulte Home waived its right of first refusal to repurchase the Pulte Home Project.

On May 1, 2009, Pulte Home caused a "Notice of Default and Election to Sell Under Deed of Trust" to be filed in the Official Records of Riverside County with respect to the Pulte Home Project. Pulte is alleging that SPT-SWRC, LLC was obligated by Section B(10) of the deed of trust to obtain Pulte Home's written consent to the transfer of the obligations secured by the Deed of Trust to Khalda and that no such consent was obtained, despite Pulte Home's execution of a waiver of its right of first refusal to repurchase the Pulte Home Project. A transfer of the Pulte Home Project in violation of the provisions of the deed of trust allows Pulte Home to accelerate the performance of the existing, secured obligations of SPT-SWRC, LLC and to commence foreclosure proceedings under the deed of trust.

Management believes the sale of the Pulte Home Project by SPT-SWRC, LLC to Khalda is completed. Khalda was aware of the obligations secured by the deed of trust and assumed such obligations when it purchased the Pulte Home Project from SPT-SWRC on March 20, 2009. Management believes that the maximum amount of any legal exposure resulting from any action by Pulte Home with respect to this property would be limited to the value of the property, which is no longer owned by SPT-SWRC, LLC. Khalda, the current owner of the property, is in the process of obtaining the governmental approvals necessary to satisfy its obligations and has declared bankruptcy in order to forestall the foreclosure proceedings so that such governmental approvals can be obtained. A consequence of the foreclosure is that ownership of the Winchester Hills Project could pass from Khalda back to Pulte Home.

The Pulte Home Project is also the subject of a dispute regarding obligations retained by both Pulte Home, when it sold the Winchester Ranch project to SPT SWRC, LLC, on December 31, 2008, and by SPT SWRC, LLC when it resold the Winchester Ranch project to Khalda on March 20, 2009, to complete certain improvements, such as grading and infrastructure (the “Improvements”). Both sales were made subject to the following agreements which, by their terms, required the Improvements to be made: (i) a Reconveyance Agreement, dated November 15, 2007, by and among Pulte Home and the prior owners of the Winchester Ranch project — Barratt American Incorporated, Meadow Vista Holdings, LLC (“Meadow Vista”) and Newport Road 103, LLC (“Newport”) (the “Reconveyance Agreement”), and (ii) a letter agreement, dated December 30, 2008, executed by SPT SWRC, LLC, Meadow Vista, and Newport, and acknowledged by Pulte Home (the “Subsequent Letter Agreement”). Meadow Vista and Newport, as joint claimants (the “Claimants”) against Pulte Home and SPT SWRC, LLC, have initiated binding arbitration in an effort to require Pulte Home to reaffirm its obligations under the Reconveyance Agreement and the Subsequent Letter Agreement to make the Improvements in light of the subsequent transfer of ownership of the Winchester Ranch project to Khalda, and to require that certain remedial measures be taken to restore the site to a more marketable condition. SPT SWRC, LLC maintains that it is not a proper party to the arbitration, because the declaratory action being sought by the Claimants is to establish rights of the Claimants against Pulte Home, and not against SPT SWRC, LLC, and neither SPT SWRC, LLC nor Pulte Home has taken the position that their respective transfers of the Winchester Ranch project has released them from the obligation to make the Improvements. The arbitration process is at its inception and, although we believe the request for declaratory relief by the Claimants has no legal basis and that the issue is not arbitrable since no actual dispute exists, we cannot predict the outcome of the arbitration proceedings at this time.

Wasson Canyon Project

SPT — Lake Elsinore Holding Co., LLC, an entity wholly owned by the Operating Partnership, was formed in March 2009 principally to acquire real estate properties in the Lake Elsinore area of Riverside County California. Because SPT — Lake Elsinore Holding Co., LLC is wholly owned by the Operating Partnership, the accounts of SPT — Lake Elsinore Holding Co., LLC are consolidated in the Company’s consolidated financial statements.

On April 17, 2009, SPT — Lake Elsinore Holding Co., LLC closed on the purchase of real property constituting sixty five (65) finished lots located in the City of Lake Elsinore, Riverside County, California, commonly known as Wasson Canyon (the “Wasson Canyon Project”), for the purchase price of \$650,000. The purchase was made pursuant to a Purchase and Sale Agreement and Joint Escrow Instructions (the “Purchase Agreement”), dated April 14, 2009, by and between the SPT — Lake Elsinore Holding Co., LLC, buyer and MS Rialto Wasson Canyon CA, LLC, a Delaware limited liability company, as seller.

Pursuant to the Purchase Agreement, SPT — Lake Elsinore Holding Co., LLC agreed to replace existing subdivision improvement agreements and related bonds within 180 days of the closing and executed a deed of trust in the amount of \$650,000 securing this obligation. This obligation is customary in transactions of this type.

In addition, pursuant to the Purchase Agreement, MS Rialto Wasson Canyon CA, LLC has the right of first refusal to repurchase the Wasson Canyon Project from SPT — Lake Elsinore Holding Co., LLC. Under the terms of the right of first refusal agreement entered into in connection with this transaction, MS Rialto Wasson Canyon CA, LLC may exercise its right of first refusal by matching the terms and conditions of a bona fide offer received by SPT — Lake Elsinore Holding Co., LLC from a third party to purchase all or a portion of the Wasson Canyon Project.

Finally, pursuant to the Purchase Agreement, SPT — Lake Elsinore Holding Co., LLC assumed the obligations of MS Rialto Wasson Canyon CA, LLC as a party to a profits participation agreement, dated June 28, 2005 (the “Profits Participation Agreement”), pursuant to which SPT — Lake Elsinore Holding Co., LLC is obligated to share 50% of project revenues, less project costs and certain other deductions, earned by it (calculated based on MS Rialto Wasson Canyon CA, LLC’s original basis) if the Wasson Canyon Project is resold in a bulk sale. The original parties to the Profits Participation Agreement were Wasson Canyon Holdings, LLC, as obligor, and Wasson Canyon Investments, L.P., as obligee. The obligee assigned its rights to Wasson Canyon Investments II, L.P., an entity whose general partner is an affiliate of the Company’s sponsor, The Shopoff Group. As a result of the decline in overall property values since 2005, as a practical matter, the profits participation would only take effect in the event of a bulk sale of the Wasson Canyon Project in excess of \$7,500,000, or approximately \$115,385 per lot.

MS Rialto Wasson Canyon CA, LLC is not affiliated with the Company or any of its affiliates.

The Company's affiliated advisor, Shopoff Advisors, L.P., received an acquisition fee equal to 3% of the contract purchase price, or \$19,500, upon consummation of the transaction.

As of the nine months ended September 30, 2009, SPT — Lake Elsinore Holding Co., LLC had incurred, in addition to the purchase price of \$650,000, an additional \$362,543 in capitalized project costs including the previously mentioned \$19,500 acquisition fee.

Underwood Project

On May 19, 2009, SPT — Lake Elsinore Holding Co., LLC, closed on the purchase of real property constituting 543 single family residential lots, a 9.4 acre park and over 70 acres of open space on a total of 225 acres of unimproved land commonly referred to as tract 29835 located in the City of Menifee, Riverside County, California, commonly known as the "Underwood Project." The purchase price was \$1,650,000. The purchase was made pursuant to a Purchase Agreement, dated May 13, 2009, by and between the Buyer and U.S. Bank National Association

U.S. Bank National Association is not affiliated with the Company or any of its affiliates.

The Company's affiliated advisor, Shopoff Advisors, L.P., received an acquisition fee equal to 3% of the contract purchase price, or \$49,500, upon consummation of the transaction.

As of the nine months ended September 30, 2009, SPT — Lake Elsinore Holding Co., LLC had incurred, in addition to the purchase price of \$1,650,000, an additional \$88,675 in capitalized project costs including the previously mentioned \$49,500 acquisition fee.

Desert Moon Estates Project

On July 31, 2009, SPT AZ Land Holdings, LLC, an entity wholly owned by the Operating Partnership, closed on the purchase of real property consisting of a final plat of 739 single family residential lots on a total of 200 acres of unimproved land commonly known as "Desert Moon Estates" located in the Town of Buckeye, Maricopa County, Arizona. The purchase price was \$3,000,000. The purchase was made pursuant to a Purchase Agreement, dated June 29, 2009, by and between the SPT AZ Land Holdings, LLC and AZPro Developments, Inc., an Arizona corporation. On July 28, 2009, SPT AZ Land Holdings, LLC and AZPro Developments, Inc. executed a First Amendment to the Purchase Agreement modifying the terms of the original Purchase Agreement through the addition of a \$2,000,000 Secured Promissory Note in favor of AZPro Developments, Inc. (the "Promissory Note") (see Note 5) and deed of trust wherein AZPro Developments, Inc. will act as beneficiary and a concurrent reduction of cash required to close from \$3,000,000 to \$1,000,000.

AZpro Developments, Inc. is not affiliated with the Company or any of its affiliates.

The Company's affiliate advisor, Shopoff Advisors, L.P., received an acquisition fee equal to 3% of the contract purchase price, or \$90,000, upon consummation of the transaction.

As of the nine months ended September 30, 2009, SPT AZ Land Holdings., LLC had incurred, in addition to the purchase price of \$3,000,000, an additional \$39,911 in capitalized project costs comprised primarily of the previously mentioned acquisition fee, county tax and CFD credits and accrued interest on the secured promissory note to AZPro Development, Inc.

Springbrook Properties

On September 24, 2009, SPT — Lake Elsinore Holding Co., LLC, was deeded real property with an existing basis of \$2,624,647, from SPT Real Estate Finance, LLC which was previously collateral on two separate secured real estate loans originated by SPT Real Estate Finance, LLC as discussed in Note 3. The real property received was comprised of approximately 118 acres of vacant and unentitled land, and approximately 6.11 acres of vacant and unentitled land, both located near the City of Lake Elsinore, in an unincorporated area of Riverside County, California. Prior to September 24, 2009, SPT Real Estate Finance, LLC had entered into two separate Settlement Agreements with Springbrook which agreed to execute and deliver to SPT Real Estate Finance, LLC grant deeds to the underlying real estate collateral for the Vineyard Loans in consideration for the discharge by SPT Real Estate Finance, LLC of all Springbrook's obligations under the Vineyard Loans.

The Company's affiliate advisor, Shopoff Advisors, L.P., did not receive an acquisition fee upon consummation of the transaction.

As of the nine months ended September 30, 2009, SPT Lake Elsinore Holding Co., LLC had incurred, in addition to the assumption of the existing basis of \$2,624,647 from SPT Real Estate Finance, LLC, an additional \$96,142 in capitalized project costs.

5. NOTE PAYABLE SECURED BY REAL ESTATE INVESTMENT

As discussed in Note 4 and in connection with the closing of Desert Moon Estates, SPT AZ Land Holdings, LLC executed a \$2,000,000 promissory note and deed of trust in favor of AZPro Developments, Inc.

Interest on the Promissory Note will accrue on the principal outstanding from the date of the Promissory Note at a rate of six percent (6.00%) per annum. Payments of interest only will be made quarterly in arrears on November 1, 2009, February 1, 2010 and May 1, 2010. On the maturity date of the Promissory Note, July 31, 2010, the entire outstanding principal balance and all unpaid interest on the Promissory Note will be due and payable in full. The Promissory Note is secured by a Deed of Trust with Assignment of Rents which encumbers the Desert Moon Estates Property. SPT AZ Land Holdings, LLC may prepay in whole or in part the principal amount outstanding under the Promissory Note, together with accrued and unpaid interest thereon computed to the date of prepayment and any sums owing to AZPro Developments, Inc., without penalty or premium.

If SPT AZ Land Holdings, LLC fails to pay any installment of interest by the fifth day of each calendar quarter, AZPro Developments, Inc. has the right to assess a late fee equal to 10% of the amount that is delinquent and the interest rate on the entire principal amount outstanding will adjust to 12% per annum from the date the delinquent payment was first due until the delinquent payment has been made. Similar penalties apply if the principal is not paid upon the maturity date.

For the three and nine months ended September 30, 2009, SPT AZ Land Holdings, LLC recognized accrued interest payable of \$20,384, on the outstanding Promissory Note.

6. STOCKHOLDERS' EQUITY

Common Stock

The Company commenced a best-efforts initial public offering of 2,000,000 shares of its common stock at an offering price of \$9.50 per share. Once 2,000,000 shares are sold, the offering price will increase to \$10.00 per share until an additional 18,100,000 shares of common stock are sold.

On November 27, 2006, The Shopoff Group L.P., the Company's sponsor, purchased 21,100 shares of the Company's common stock for total cash consideration of \$200,450.

As of September 30, 2009, the Company had sold and accepted 1,851,400 shares of its common stock for \$17,588,300 not including 21,100 shares issued to The Shopoff Group L.P. and not including 35,000 shares of vested restricted stock previously issued to certain officers and directors. As of September 30, 2009, the Company had sold \$43,700 in stock subscriptions for 4,600 shares which had not yet been accepted by the Company. The stock was recorded as subscribed stock in the accompanying condensed consolidated balance sheets. As of December 31, 2008, the Company had sold and accepted 1,836,200 shares of its common stock for \$17,443,900 not including 21,100 shares issued to The Shopoff Group L.P.

Restricted Stock Grants

The Company, under its 2007 Equity Incentive Plan, approved the issuance of restricted stock grants to its officers and non-officer directors on August 29, 2008, the date the Company reached the minimum offering amount of \$16,150,000. The restricted stock grants, which aggregated 173,750 shares and have an individual value of \$9.50 per share, have a vesting schedule of five years for officers and four years for non-officer directors. On August 29, 2009, 35,000 shares of restricted stock grants vested. During the nine months ended September 30, 2009, 5,000 shares of restricted stock were forfeited, 5,000 shares of restricted stock were subsequently reissued and 138,750 shares of restricted stock remained unvested and outstanding at September 30, 2009. The forfeiture and reissuance were the result of a departure of one of our directors and her subsequent replacement as director.

For the three and nine months ended September 30, 2009, the Company recognized compensation expense of \$360,208 comprised of \$332,500 for the vesting of restricted stock grants and \$27,708 in accrued compensation expenses for unvested restricted stock grants. The vested restricted stock grants were recorded as \$350 common stock for the par value of the vested restricted stock grants and \$332,150 additional paid-in capital in the accompanying condensed consolidated balance sheets.

Stock Option Grants

The Company, under its 2007 Equity Incentive Plan, approved the granting of stock options to certain of its officers and non-officer directors on August 29, 2009. A total of 78,000 non-qualified stock options were granted: (i) independent director Glenn Patterson, 3,500 shares, (ii) independent director Patrick Meyer, 3,500 shares, (iii) independent director Stuart McManus, 3,000 shares, (iv) independent director Melanie Barnes, 3,000 shares (v) director Jeff Shopoff, 3,000 shares, (vi) officer Tim McSunas, 25,000 shares and (vii) officer Kevin Bridges, 37,000 shares. The options granted vest in 4 or 5 equal installments beginning on the grant date and on each anniversary of the grant date over a period of 3 or 4 years. The options have a contractual term of 10 years.

The fair value of stock-based awards is calculated using the Black-Scholes option pricing model. The Black-Scholes model requires subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. There is insufficient trading history in the Company's common stock to allow for a historically based assessment of volatility. Furthermore, the Company's shares are not traded on an exchange. The expected volatility is therefore based on the historical volatility of publicly traded real estate investment trusts with investment models and dividend policies deemed comparable to those of the Company. In accordance with the guidance in the Accounting Standards Codification ("ASC") topic 718-S99 (originally issued as the SEC's Staff Accounting Bulletin No. 110) the expected term of options is the average of the vesting period and the expiration date. The risk-free rate selected to value any particular grant is based on the U.S. Treasury rate that corresponds to the pricing term of the grant effective as of the date of the grant. The Company does not expect to pay dividends in the foreseeable future, thus the dividend yield is assumed to be zero. These factors could change in the future, affecting the determination of stock-based compensation expense for grants made in future periods. The Company used the following weighted-average assumptions in determining the fair value of its officer and director stock options granted in the nine months ended September 30, 2009:

Expected volatility	70%
Expected term	6.9 yrs
Risk-free interest rate	3.0%
Dividend yield	—%

The weighted-average grant date fair value of officers and non-officers' directors options granted during the nine months ended September 30, 2009 was \$6.44.

For the three and nine months ended September 30, 2009, the Company recognized compensation expense with respect to stock option grants of approximately \$114,000, which was recorded to additional paid-in capital in the accompanying condensed consolidated balance sheets. Based on the Company's historical turnover rates and the vesting pattern of the options, management has assumed that forfeitures are not significant in the determination of stock option expense.

The following is a summary of the changes in stock options outstanding during the nine months ended September 30, 2009:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>
Outstanding at December 31, 2008	—	\$ —	
Granted	<u>78,000</u>	<u>9.50</u>	
Outstanding at September 30, 2009	<u>78,000</u>	<u>\$ 9.50</u>	<u>9.9</u>
Exercisable at September 30, 2009	<u>16,400</u>	<u>\$ 9.50</u>	<u>9.9</u>

Based on the closing stock price of \$9.50 at September 30, 2009, aggregate intrinsic value of options outstanding at September 30, 2009 was zero.

Options outstanding that have vested and are expected to vest as of September 30, 2009 are as follows:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term in Years</u>
Vested	<u>16,400</u>	<u>\$9.50</u>	<u>10</u>
Expected to vest	<u>61,600</u>	<u>9.50</u>	<u>10</u>
Total	<u>78,000</u>	<u>9.50</u>	<u>10</u>

7. OTHER RELATED PARTY TRANSACTIONS

The Company's Advisor and affiliated entities have incurred organizational and offering costs on the Company's behalf. Pursuant to a written agreement, such entities accepted responsibility for such costs and expenses until the Company's Registration Statement was declared effective by the Securities and Exchange Commission ("SEC") and the minimum offering amount was raised. However, at no time will the Company's obligation for such organizational and offering costs and expenses exceed 12.34% of the total proceeds raised in the Offering, as more fully disclosed in the Company's Registration Statement. We are allowed to reimburse the Advisor up to 15% of the gross offering proceeds during the offering period, however the Advisor is required to repay us for any organizational and offering costs and expenses reimbursed to it by us that exceed 12.34% of the gross offering proceeds within 60 days of the close of the offering. As of September 30, 2009 we had reimbursed the Advisor \$460,138 in excess of the 12.34% limit.

As of September 30, 2009 and December 31, 2008, such costs and expenses approximated \$5,050,000 and \$4,624,000 respectively. Of the approximately \$5,050,000 incurred by the Advisor and its affiliates, the Company has reimbursed them approximately \$2,631,000. The \$2,631,000 of reimbursed organizational and offering costs was netted against additional paid-in capital in the accompanying consolidated balance sheet.

On November 27, 2006, the Advisor contributed \$100 for a 1% limited partnership interest in the Operating Partnership. Such investment is reflected as a minority interest in the accompanying consolidated financial statements.

The sole general partner of the Advisor is wholly owned by the Shopoff Trust. William and Cindy Shopoff are the sole trustees of the Shopoff Trust. The Advisor and its affiliates will receive substantial compensation and fees for services relating to the investment and management of the Company's assets. Such fees, which were not negotiated on an arm's-length basis, will be paid regardless of the performance of the real estate investments acquired or the quality of the services provided to the Company.

The Shopoff Trust is also the sole stockholder of Shopoff Securities, Inc., the Company's sole broker-dealer engaged in the initial public offering described above. Shopoff Securities, Inc. (which was formed in September 2006) is not receiving any selling commissions in connection with the offering, but is entitled to receive a fixed monthly marketing fee of \$100,000 from the Company's Sponsor and reimbursements from the Company for expenses incurred

in connection with the sale of shares. The \$100,000 fixed monthly marketing fee and reimbursements from the Company for expenses incurred in connection with the sale of shares is not due and payable from the Sponsor to Shopoff Securities, Inc. until the completion of the offering and is contingent upon a determination by the Sponsor, in its sole and absolute discretion, that the payment of the fixed monthly marketing fee will not result in total underwriting compensation to Shopoff Securities, Inc. exceeding the amount which is permitted under the rules of the Financial Industry Regulatory Authority. As of September 30, 2009, the offering had not yet been completed. As the offering had not yet been completed the Sponsor had made no determination whether a payment to Shopoff Securities Inc. would exceed the total underwriting compensation permitted under the rules of the Financial Industry Regulatory Authority.

The relationship between the Company and the Advisor is governed by an advisory agreement (the "Agreement"). Under the terms of the Agreement, the Advisor is responsible for overseeing the day-to-day operations of the Company and has the authority to carry out all the objectives and purposes of the Company. The Advisor has a fiduciary responsibility to the Company and its stockholders in carrying out its duties under the Agreement. In providing advice and services, the Advisor shall not (i) engage in any activity which would require it to be registered as an "Investment Advisor," as that term is defined in the Investment Advisors Act of 1940, or in any state securities law or (ii) cause the Company to make such investments as would cause the Company to become an "Investment Company," as that term is defined in the Investment Company Act of 1940. The Company's Board of Directors has the right to revoke the Advisor's authority at any time.

In accordance with the Agreement, the Company will pay the Advisor the following fees:

- *Acquisition and Advisory Fees:* 3% of, with respect to any real estate asset or real estate-related investment acquired by the Company directly or indirectly, the contract purchase price of the underlying property.
- *Debt Financing Fee:* 1% of the amount available under any loan or line of credit made available to the Company upon the receipt of the proceeds from such loan or line of credit.
- *Asset Management Fee:* a monthly payment equal to one-twelfth of 2% of (i) the aggregate asset value for operating assets and (ii) the total contract price plus capitalized entitlement and project related costs for real estate assets held for less than or equal to one year by the Company, directly or indirectly, as of the last day of the preceding month other than a real estate-related investment and (iii) the appraised value as determined from time to time for real estate assets held for greater than one year by the Company, directly or indirectly, as of the last day of the preceding month other than a real estate-related investment and (iv) the appraised value of the underlying property, for any real estate-related investment held by the Company directly or indirectly, as of the last day of the preceding month, in the case of subsection (iv) not to exceed one-twelfth of 2% of the funds advanced by the Company for the purchase of the real estate-related investment.
- *Disposition Fees:* equal to (i) in the case of the sale of any real estate asset, other than real estate-related investments, the lesser of (a) one-half of the competitive real estate commission paid up to 3% of the contract price or, if none is paid, the amount that customarily would be paid, or (b) 3% of the contract price of each real estate asset sold, and (ii) in the case of the sale of any real estate-related investments, 3% of the sales price. Any disposition fee may be paid in addition to real estate commissions paid to non-affiliates, provided that the total real estate commissions (including such disposition fee) paid to all persons by the Company for each real estate asset, upon disposition thereof, shall not exceed an amount equal to the lesser of (i) 6% of the aggregate contract price of each real estate asset or (ii) the competitive real estate commission for each real estate asset. The Company will pay the disposition fees for a property at the time the property is sold.
- *Additional Fees:* The Agreement includes certain other fees that will be payable to the Advisor upon the occurrence of certain potential events such as listing on a national securities exchange or termination of the Agreement.

8. PROPOSED ACQUISITION

On September 30, 2008, the Company's Advisor entered into a purchase and sale agreement and joint escrow instructions to purchase certain parcels of land from TSG Little Valley, L.P., a California limited partnership ("TSG Little Valley"), consisting of 163 entitled, but unimproved, residential lots, located in the City of Lake Elsinore, County of Riverside, State of California. The contract purchase price was for \$4,890,000. The Company's Advisor

paid an initial non-refundable deposit to TSG Little Valley of \$1,000,000 on October 7, 2008. The \$1,000,000 deposit was paid solely from the proceeds of the Company's initial public offering.

On September 3, 2009, the Company's Advisor executed an assignment of purchase and sale agreement whereby the Advisor assigned all of its rights, title and interest in the purchase and sale agreement and joint escrow instructions between Advisor and TSG Little Valley to SPT — Lake Elsinore Holding Co., LLC an affiliated entity wholly owned by the Operating Partnership.

On September 3, 2009, SPT — Lake Elsinore Holding Co., LLC entered into a first amendment to purchase and sale agreement and joint escrow instructions with TSG Little Valley. This first amendment to purchase and sale agreement and joint escrow instructions amended the original purchase and sale agreement and joint escrow instructions dated September 30, 2008 as previously amended by those certain amended/supplemental escrow instructions dated October 16, 2008, October 27, 2008, November 11, 2008, November 25, 2008, December 30, 2008, January 13, 2008, January 27, 2009 and February 24, 2009. The original purchase and sale agreement and joint escrow instructions were further amended by that certain undated Corrective Amendment, whereby (a) SPT — Lake Elsinore Holding Co., LLC agreed to purchase additional property from TSG Little Valley consisting of 356 entitled but unimproved, residential lots and 2 commercial lots located in the City of Lake Elsinore, California and 400 acres of unentitled and unimproved land located in the City of Chino Hills, California, (b) the purchase price was increased to \$9,600,000 from \$4,890,000, (c) the non-refundable deposit requirement was increased to \$2,000,000 from \$1,000,000 and (d) the escrow closing date was amended to on or before November 30, 2009. The Company's Advisor paid the additional non-refundable deposit to TSG Little Valley of \$1,000,000 on September 4, 2009. The additional \$1,000,000 deposit was paid solely from the proceeds of the Company's initial public offering.

The \$2,000,000 and \$1,000,000 deposits are included in real estate deposits in the accompanying condensed consolidated balance sheets as of September 30, 2009 and December 31, 2008 respectively.

The Company's Advisor, on behalf of the Company, has ordered and received two separate appraisals on the assets it intends to purchase from TSG Little Valley. One appraisal, dated October 15, 2008, states that the concluded market value for the 519 entitled, but unimproved, residential lots and 2 commercial lots is \$6,330,000. The second appraisal, dated April 29, 2009, states that the concluded market value for the 400 acres of unentitled and unimproved land is \$4,900,000. The total value from the two appraisals performed in October of 2008 and April of 2009 is \$11,230,000.

Stevan J. Gromet, President of Portfolio Partners, Inc., a California corporation, the general partner of TSG Little Valley, is a shareholder of the Company with ownership of 47,800 shares as of September 30, 2009 which represents approximately 2.51% of our total shares outstanding including 21,100 shares purchased by our sponsor and 35,000 vested restricted stock grants issued to our officers and directors. TSG Little Valley is also a shareholder of the Company with ownership of 380,500 shares as of September 30, 2009 which represents approximately 19.95% of the Company's total shares outstanding including 21,100 shares purchased by our sponsor and 35,000 vested restricted stock grants issued to our officers and directors.

See Note 11 for additional information.

9. COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time, the Company may be party to legal proceedings that arise in the ordinary course of its business. Management is not aware of any legal proceedings of which the outcome is reasonably likely to have a material adverse effect on its results of operations or financial condition. Although the Company is not subject to any legal proceedings, its subsidiary, SPT-SWRC, LLC is the subject of a Notice of Default filing and binding arbitration proceeding as described in Note 4. The Company believes the Notice of Default and binding arbitration proceeding will have no material adverse effect on its results of operations or financial condition.

Organizational and Offering Costs

The Company's Advisor and affiliated entities have incurred offering costs and certain expenses on the Company's behalf. Pursuant to a written agreement, such entities accepted responsibility for such costs and expenses until the Company's Registration Statement was declared effective by the SEC and the minimum offering amount was raised. The Company's obligation for such costs and expenses will not exceed 12.34% of the total proceeds raised in the Offering, as more fully disclosed in the Company's Registration Statement. During 2008 and the nine months ended September 30, 2009, the Company reimbursed its Advisor and affiliated entities approximately \$2,631,000. As of September 30, 2009, the Advisor and affiliated entities have incurred \$2,419,000 in excess of the

12.34% limitation on organizational and offering costs. The Company is not obligated to reimburse the Advisor or other affiliated entities any amount above 12.34% of gross offering proceeds.

Specific Performance

When SPT-SWRC, LLC purchased the Pulte Home Project on December 31, 2008, SPT-SWRC, LLC agreed as a condition of ownership to assume responsibility of a specific performance requirement as detailed in the Reconveyance Agreement, an assignment of which was an exhibit in the original Purchase Agreement. The requirement obligates SPT-SWRC, LLC to complete specific development requirements on adjacent parcels of land not owned by SPT-SWRC, LLC. Currently the primary obligor of this specific development requirement is Khalda, through their purchase of said property from SPT-SWRC, LLC on March 20, 2009 and subsequent assumption of the Reconveyance Agreement. If Khalda Development Inc. fails to perform its obligations under the assumed Reconveyance Agreement, then the obligee could look to SPT-SWRC, LLC as a remedy.

The monetary exposure under these obligations, if any, to SPT-SWRC, LLC cannot be determined at this time.

10. REGISTRATION STATEMENT

The Company filed Post Effective Amendment No. 5 to our registration statement on Form S-11 for the Company's ongoing initial public offering with the SEC on August 17, 2009. The August 24, 2009 the SEC declared our Post Effective Amendment No. 5 to our registration statement on Form S-11 for our on-going initial public offering effective which extends our offering period through August 29, 2010.

11. SUBSEQUENT EVENTS

Note Receivable

On or about October 12, 2009, the Company was informed that on September 28, 2009 a Notice of Default and Election to Sell Under Deed of Trust ("NOD") was recorded on behalf of East West Bank, as beneficiary ("East West Bank"), with respect to a senior deed of trust securing certain obligations of Mesquite Venture I, LLC ("Borrower") to East West Bank, including without limitation indebtedness under a promissory note in the initial principal amount of \$3,681,000 (the "Senior Loan"). The NOD was filed due Borrower's failure to pay the August 1, 2009 installment of principal and interest and all subsequent installments of principal and interest under the Senior Loan. The Borrower also has failed to pay a loan extension fee due to the Company on October 1, 2009, under the \$600,000 loan made by the Company to Borrower ("Mesquite Loan"). As a result of Borrower's default on the Senior Loan, and on the Mesquite Loan, the Company is in the process of providing a default notice to Borrower and accelerating the indebtedness under the Mesquite Loan. While the Company may have the right to reinstate the Senior Loan under applicable documents or applicable law, it does not presently intend to do so. The Company does intend to sue on the personal guarantees obtained in connection with the Mesquite Loan.

Management is in the process of evaluating this situation but believes that the Borrower, who is currently negotiating with East West Bank, will be successful in its discussions and will ultimately cure both the NOD filed by East West Bank and the payment default on the Company's note receivable. Management believes that the full amount of the notes receivable is still collectible and as such, did not establish a reserve against the note receivable as of September 30, 2009.

Proposed Acquisition

On October 15, 2009, SPT - Lake Elsinore Holding Co., LLC entered into a second amendment to purchase and sale agreement and joint escrow instructions with TSG Little Valley. This second amendment to purchase and sale agreement and joint escrow instructions amended the original purchase and sale agreement and joint escrow instructions dated September 30, 2008 as previously amended to provide that \$2,900,000 of the purchase price would be paid by SPT - Lake Elsinore Holding Co., LLC's execution and delivery into escrow of (a) an all-inclusive purchase money note secured by deed of trust in favor of TSG Little Valley as Payee therein, in the principal amount of \$2,900,000, and (b) an all-inclusive deed of trust executed by SPT - Lake Elsinore Holding Co., LLC in favor of TSG Little Valley as beneficiary therein, securing the foregoing all-inclusive purchase money note. On October 15, 2009, SPT - Lake Elsinore Holding Co., LLC entered into a restated second amendment to purchase and sale agreement and joint escrow instructions with TSG Little Valley. This restated second amendment to purchase and sale agreement and joint escrow instructions with TSG Little Valley was entered into for the sole purpose of correcting a signature block.

On November 5, 2009, SPT-Lake Elsinore Holding Co., LLC closed on the purchase of real property from TSG Little Valley consisting of 519 entitled but unimproved residential lots and 2 commercial lots located in the City of Lake Elsinore, California and 400 acres of unentitled and unimproved land suitable for mitigation located in the City of Chino Hills, California.

Other

On November 3, 2009, pursuant to SEC Rule 17a-11, Shopoff Securities, Inc. ("the firm"), the Company's broker dealer for its ongoing initial public offering, became aware of a net capital deficiency. The firm operates under the SEC rule 15c3-3 exemption and has a minimum net capital requirement of \$5,000. The firm

currently had \$1,394 in net capital which was deficient of the minimum net capital requirement by \$3,606. The firm took the following steps to correct this matter: The firm ceased all securities business and informed the Financial Industry Regulatory Authority, its designated examining authority, of the net capital violation. The deficiency had not been corrected at the time of the filing of this report.

Subsequent to September 30, 2009, additional organization and offering costs totaling approximately \$26,096 were incurred by the Advisor and its affiliates on behalf of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

You should read the following discussion and analysis together with our condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q. The following information contains forward-looking statements, which are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, actual results may differ materially from those expressed or implied by the forward-looking statements. Please see "Special Note Regarding Forward-Looking Statements" below for a description of these risks and uncertainties.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this quarterly report on Form 10-Q are forward-looking statements within the meaning of the federal securities laws which are intended to be covered by the safe harbors created by those laws. Historical results and trends should not be taken as indicative of future operations. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of us, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," "prospects," or similar expressions. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions generally and the real estate market specifically; legislative/regulatory changes, including changes to laws governing the taxation of REITs; availability of capital; interest rates; our ability to service our debt; competition; supply and demand for undeveloped land and other real estate in our proposed market areas; the prospect of a continuing relationship with Shopoff Advisors; changes in accounting principles generally accepted in the United States of America; and policies and guidelines applicable to REITs. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Although we believe the assumptions underlying the forward-looking statements, and the forward-looking statements themselves, are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that these forward-looking statements will prove to be accurate. In light of the significant uncertainties inherent in these forward-looking statements, such information should not be regarded as a representation by us or any other person that any of our objectives and plans, which we consider to be reasonable, will be achieved.

Company Overview

We are a Maryland corporation that intends to qualify as a real estate investment trust, or REIT, beginning with the taxable year ended December 31, 2010. On November 30, 2006, we filed a registration statement on Form S-11 (File No. 333-139042) with the SEC to offer a minimum of 1,700,000 shares and a maximum of 20,100,000 shares of common stock for sale to the public. The SEC declared the registration statement effective on August 29, 2007, and we then launched our on-going initial public offering. We sold the minimum offering of 1,700,000 shares on August 29, 2008, at \$9.50 per share. As of September 30, 2009 we had sold 1,851,400 shares of common stock for \$17,588,300, excluding shares purchased by the Sponsor. Once 2,000,000 shares are sold, the offering price will increase to \$10.00 per share until an additional 18,100,000 shares of common stock are sold.

We filed a Post-Effective Amendment No. 1 to our registration statement on April 30, 2008. The SEC declared our Post-Effective Amendment No. 1 to our registration statement on Form S-11 for our on-going initial public offering effective on May 13, 2008.

We filed a Post-Effective Amendment No. 2 to our registration statement on January 21, 2009. The SEC declared our Post-Effective Amendment No. 2 to our registration statement on Form S-11 for our on-going initial public offering effective on February 9, 2009.

We filed a Post-Effective Amendment No. 3 to our registration statement on May 1, 2009 and amended it as Post-Effective Amendment No. 4 on May 21, 2009.

The SEC declared that our Post-Effective Amendment No. 4 to our registration statement on Form S-11 for our on-going initial public offering effective on May 27, 2009.

We filed a Post-Effective Amendment No. 5 to our registration statement on August 17, 2009. The SEC declared our Post-Effective Amendment No. 5 to our registration statement on Form S-11 for our on-going initial public offering effective on August 24, 2009.

On December 31, 2008, the Company acquired its first real estate property; as such, management believes that the Company commenced its planned principal operations and transitioned from a development stage enterprise to an active company.

We have used and will continue to use the proceeds of our on-going initial public offering to acquire undeveloped real estate assets that present “value-added” opportunities or other opportunistic investments for our stockholders, to obtain entitlements on such opportunities if applicable, and to hold such assets as long-term investments for eventual sale. “Entitlements” is an all inclusive term used to describe the various components of our value added business plan. We will undertake various functions to enhance the value of our land holdings, including land planning and design, engineering and processing of tentative tract maps and obtaining required environmental approvals. All of these initial entitlements are discretionary actions as approved by the local governing jurisdictions. The subsequent entitlement process involves obtaining federal, state, or local biological and natural resource permits if applicable. Federal and state agencies may include the U.S. Army Corps of Engineers, the U.S. Fish and Wildlife Service, state wildlife, or others as required. By obtaining these approvals or entitlements, we can remove impediments for development for future owners and developers of the projects. It is through this systematic process that we believe that we can realize profits for our investors by enhancing asset values of our real estate holdings. The majority of the property acquired will be located primarily in the States of California, Nevada, Arizona, Hawaii and Texas. If market conditions dictate and if approved by our board of directors, we may invest in properties located outside of these states. On a limited basis, we may acquire interests in income producing properties and ownership interests in firms engaged in real estate activities or whose assets consist of significant real estate holdings, provided these investments meet our overall investment objectives. We plan to own substantially all of our assets and conduct our operations through our Operating Partnership, or wholly owned subsidiaries of the Operating Partnership. Our wholly owned subsidiary, Shopoff General Partner, LLC, is the sole general partner of the Operating Partnership. We have no paid employees. The Advisor conducts our operations and manages our portfolio of real estate investments.

The recent focus of our acquisitions has been on distressed or opportunistic property offerings. At our inception, our focus was on adding value to property through the entitlement process, but the current real estate market has generated a supply of real estate projects that are all partially or completely developed versus vacant, undeveloped land. This changes the focus of our acquisitions to enhancing the value of real property through redesign and engineering refinements and removes much of the entitlement risk that we expected to undertake. Although acquiring distressed assets at greatly reduced prices from the peaks of 2005-2006 does not guaranty us success, we believe that it does allow us the opportunity to acquire more assets than previously contemplated.

We believe there will be continued distress in the real estate market in the near term and expect this to put downward pressure on near term prices. Our view of the mid to long term is more positive, and we expect property values to improve over the four- to ten-year time horizon. Our plan is to be in a position to capitalize on these opportunities for capital appreciation.

Through September 30, 2009, we had purchased four properties, one of which was subsequently sold on March 20, 2009 and had originated three secured real estate loans, two of which were subsequently converted to real estate owned on September 4, 2009 as a result of settlement negotiations between the obligor and us. We had one property in escrow as of September 30, 2009. We have placed no additional properties in escrow since September 30, 2009.

The number of properties that we will acquire will depend upon the number of shares sold and the resulting amount of the net proceeds available for investment in properties. Until more arrangements are made to acquire properties and real estate-related investments, we will keep the net proceeds of this offering in short-term, liquid investments.

A portion of the proceeds of our on-going offering will be reserved to meet working capital needs and contingencies associated with our operations. We believe this reserve allocation will aid our objective of preserving capital for our investors by supporting the maintenance and viability of properties we acquire in the future. We will initially allocate to our working capital reserve not less than 0.5% and not more than 5% of the gross proceeds of the offering (assuming we raise the maximum offering). As long as we own any undeveloped real estate assets, we will retain as working capital reserves an amount equal to at least 0.5% and not more than 5% of the gross proceeds of the offering, subject to review and re-evaluation by the board of directors. If reserves and any available income become insufficient to cover our operating expenses and liabilities, it may be necessary to obtain additional funds by borrowing, refinancing properties and/or liquidating our investment in one or more properties. There is no assurance that such funds will be available or, if available, that the terms will be acceptable to us.

We intend to make an election to be taxed as a REIT under Section 856(c) of the Internal Revenue Code for our tax year ending December 31, 2010. In order to qualify as a REIT, we must distribute to our stockholders each calendar year at least 90% of our taxable income, excluding net capital gains. If we qualify as a REIT for federal income tax purposes, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates and will not be permitted to qualify as a REIT for four years following the year in which our qualification is denied. Such an event could materially and adversely affect our net income (if any) and results of operations.

Results of Operations

Although we are in our first full calendar year of operations and have made several acquisitions without the use of capital from outside investment firms, we contemplate using capital from these outside investment firms in the coming years to grow the Company's investment base. As such our results of operations as of the date of this report are not indicative of those expected in future periods. In addition, our results of operations for the three and nine months ended September 30, 2009 are not comparable to those of the same periods in 2008.

Through September 30, 2009, we have acquired four properties and sold one property. The first property was purchased on December 31, 2008 for an amount of \$2,000,000 and we incurred closing and related costs of approximately \$614,000 including \$476,774 in reconveyance costs. This property was subsequently sold on March 20, 2009 for \$5,000,000 and the Company has recognized a gain on the sale of approximately \$2,070,000. The second property was purchased on April 17, 2009 for an amount of \$650,000 and we incurred closing and related costs of approximately \$45,000. The third property was purchased on May 19, 2009, for an amount of \$1,650,000 and we incurred closing and related costs of approximately \$60,000. The fourth property was purchased on July 31, 2009, for an amount of \$3,000,000 which included a seller note carry back of \$2,000,000 and we incurred closing and related costs of approximately \$1,482.

Through September 30, 2009, we have originated three secured real estate loans receivable: one in an amount of \$600,000 to one borrower and two separate loans to a second borrower in the aggregate amount of \$2,300,000. The two separate loans to a second borrower in the aggregate amount of \$2,300,000 were converted to real estate owned on September 4, 2009 when we took title to the underlying real estate serving as collateral for the two loans. The \$600,000 secured real estate loan receivable incurred zero closing costs as all title, escrow and attorney fees were paid for by the borrower through escrow. As of September 30, 2009, from the \$600,000 loan we have received \$63,000 in interest income, accrued interest receivable of \$21,173, paid an acquisition fee of \$18,000, or 3% of the contract price to the Advisor, which was paid to SPT Real Estate Finance, LLC upon the closing of escrow on September 30, 2008, and paid the Advisor asset management fees of \$12,000. As of September 30, 2009, prior to the conversion of the two separate loans aggregating \$2,300,000 to real estate owned, we had accrued \$324,647 in interest income, paid an acquisition fee of \$69,000, or 3% of the contract price to the Advisor, which was paid upon the closing of escrow on January 9, 2009, and paid the Advisor asset management fees of \$26,833. As of September 30, 2009, since the conversion of the two separate loans aggregating \$2,300,000 to real estate owned, we paid the Advisor asset management fees of \$4,374.

Revenue for the three months ended September 30, 2009 approximated \$78,000. These revenues consisted primarily of interest income on real estate loan receivables, interest income on cash and cash equivalents on deposit at financial institutions and a loan fee from the extension of a loan maturity on an existing note receivable.

Expenses for the three months ended September 30, 2009 approximated \$770,000. These expenses consisted primarily of cost of sales on real estate sold, stock compensation on restricted stock grants and stock options issued to directors and executive officers of the Company, due diligence expenses incurred on potential real estate and real estate-related acquisitions which were not acquired by us, dues and subscriptions, professional fees, insurance premiums, independent director fees, and other general and administrative expenses. We expect expenses to increase in the future based on a full year of real estate operations, as well as from the increased activity as we make real estate investments and we expect these expenses to increase as a percentage of total revenue as our cash from subscribed stock is deployed in real estate investments held for long term capital appreciation.

For the three months ended September 30, 2009, we had a net loss before income taxes of \$643,625. This net loss was comprised of interest received from our secured real estate loan receivables, interest received by us on stock subscriptions and a loan fee from a loan extension on an existing note receivable, offset by the cost of sales relating to the sale of our real estate investment, general and administrative costs, consisting primarily of stock compensation on restricted stock grants and stock options issued to directors and executive officers of the Company, insurance premiums, independent director fees, printing, dues and subscriptions, professional fees, asset management fees, and due diligence expenses incurred on potential real estate and real estate-related acquisitions which were not acquired by us, and a credit on an income tax provision previously recognized.

The Company recognized a provision for income taxes of \$67,818 for the nine months ended September 30, 2009 as a result of the Company recognizing profits for the first time during the three months ended March 31, 2009 primarily from the sale of a real estate investment. The Company was not required to recognize a provision for income taxes prior to the three months ended March 31, 2009.

Comparison of Three Months Ended September 30, 2009 to Three Months Ended September 30, 2008

Total revenues. Total revenues increased by \$27,430, or 54.7% to \$77,557 for the three months ended September 30, 2009 compared to \$50,127 for the three months ended September 30, 2008. The significant components of revenue are discussed below.

Interest income, notes receivable. This caption represents revenues earned from the origination of secured real estate loans. We earned \$42,345 in interest income-notes receivable for the three months ended September 30, 2009 compared to \$0 for the three months ended September 30, 2008. The Company had not originated or invested in any secured real estate loans as of September 30, 2008.

Interest income and other. This caption represents revenues earned from the interest earned on cash held in escrow accounts, operating accounts, savings accounts, certificates of deposits, or other similar investments. Interest income and other decreased \$44,915, or 89.6% to \$5,212 for the three months ended September 30, 2009 compared to \$50,127 for the three months ended September 30, 2008. The decrease was primarily related to the reduction in the amount of cash available for temporary investments due to the use of Company cash to make real estate and real estate-related investments and for the payment of Company operating expenses.

Loan Fees. This caption represents origination fees earned from investments in secured real estate loans. We earned \$30,000 in loan fees for the three months ended September 30, 2009 compared to \$0 for the three months ended September 30, 2008. The Company had not originated any secured real estate loans as of September 30, 2008.

Total expenses. Total expenses increased by \$56,709, or 8.0% to \$769,845 for the three months ended September 30, 2009 compared to \$713,137 for the three months ended September 30, 2008. The significant components of expense are discussed below.

Due diligence on properties not acquired. Due diligence on properties not acquired decreased \$593,331 or 99.7% to \$1,687 for the three months ended September 30, 2009 compared to \$595,018 for the three months ended September 30, 2008. The decrease was primarily related to (i) a reduction in the number of potential real estate investments reviewed by the Company and (ii) the implementation of condensed evaluation procedures for potential real estate investments resulting in a more efficient and economical underwriting process.

Stock based compensation. This caption represents restricted stock grants, stock options, and other share based compensation authorized by the Company's board of directors. We incurred \$474,556 in stock based compensation for the three months ended September 30, 2009 compared to \$0 for the three months ended September 30, 2008. The Company had not issued any stock options nor incurred any other share based compensation expense as of September 30, 2008.

Cost of goods sold. Cost of goods sold represents direct costs attributable to the investment in the goods sold by the Company, in our case un-developed and under developed real estate assets. We incurred \$51,920 in cost of goods sold for the three months ended September 30, 2009 compared to \$0 for the three months ended September 30, 2008. The Company had not made any real estate investments as of September 30, 2008.

Dues and Subscriptions. Dues and subscriptions represent fees paid by the Company for membership in and benefits from various real estate and real estate-related organizations. We incurred \$37,008 in dues and subscriptions for the three months ended September 30, 2009 compared to \$0 for the three months ended September 30, 2008. The Company had not entered into any contractual arrangements in any real estate or real estate-related organizations as of September 30, 2008.

Insurance. Insurance increased by \$11,007, or 26.7% to \$52,175 for the three months ended September 30, 2009 compared to \$41,168 for the three months ended September 30, 2008. The increase was primarily due to one extra payment of directors and officers insurance premium in 2009 as compared to 2008. The one extra payment of directors and officers insurance premium in 2009 as compared to 2008 was due to the Company not binding coverage until August 2008 when the Company met its minimum offering requirement breaking escrow and beginning operations.

Professional fees. Professional fees increased by \$36,644, or 77.3% to \$84,038 for the three months ended September 30, 2009 compared to \$47,394 for the three months ended September 30, 2008. The increase was primarily due to the Company engaging an independent third-party consultant to assist the Company with its Sarbanes-Oxley documentation.

Director compensation. Director compensation increased by \$24,656, or 151.5% to \$40,614 for the three months ended September 30, 2009 compared to \$15,958 for the three months ended September 30, 2008. The increase was primarily due to the accrual of director compensation over three months for the three months ended September 30, 2009 as compared to only one month for the three months ended September 30, 2008 as directors did not begin earning compensation until the Company broke escrow and began operations which occurred on August 29, 2008.

General and Administrative. General and administrative costs increased by \$14,247, or 104.8% to \$27,846 for the three months ended September 30, 2009 as compared to \$13,599 for the three months ended September 30, 2008. The increase was primarily due to (i) a higher number of SEC filings during the three months ended September 30, 2009 as compared to the three months ended September 30, 2008 resulting in higher printing expenses and (ii) depreciation expense incurred on Company purchased software that existed in the three months ended September 30, 2009 which had not occurred during the three months ended September 30, 2008.

Provision for income taxes. This caption represents the amount on the condensed consolidated statement of operations that estimates the Company's total income tax liability for the year. We incurred \$(48,663) in provision for income taxes for the three months ended September 30, 2009 compared to \$0 for the three months ended September 30, 2008. The Company sold its first real estate investment during the three months ended March 31, 2009 and recognized an income tax provision which has been revised downwards due to a change in the overall projections of Company earnings for the calendar year ending 2009.

Comparison of Nine Months Ended September 30, 2009 to Nine Months Ended September 30, 2008

Total revenues. Total revenues increased by \$5,376,458, or 7339.7% to \$5,449,710 for the nine months ended September 30, 2009 compared to \$73,252 for the nine months ended September 30, 2008. The significant components of revenue are discussed below.

Sale of real estate. This caption represents revenues earned from the disposition of real estate and real estate-related investments. We earned \$5,000,000 for the nine months ended September 30, 2009 compared to \$0 for the nine months ended September 30, 2008 when in March 2009, the Company sold its first real estate asset known as the Pulte Home project originally purchased in December 2008 to Khalda. The Company did not own any real estate or real estate-related assets as of September 30, 2008.

Interest income, notes receivable. This caption represents revenues earned from the origination of secured real estate loans. We earned \$387,819 in interest income-notes receivable for the nine months ended September 30, 2009 compared to \$0 for the nine months ended September 30, 2008. The Company had not originated or invested in any secured real estate loans as of September 30, 2008.

Interest income and other. This caption represents revenues earned from the interest earned on cash held in escrow accounts, operating accounts, savings accounts, certificates of deposits, or other similar investments. Interest income and other decreased \$41,362, or 56.5% to \$31,890 for the nine months ended September 30, 2009 compared to \$73,252 for the nine months ended September 30, 2008. The decrease was primarily related to the reduction in the amount of cash available for temporary investments due to the use of Company cash to make real estate and real estate-related investments and for the payment of Company operating expenses.

Loan Fees. This caption represents origination fees earned from investments in secured real estate loans. We earned \$30,000 in loan fees for the nine months ended September 30, 2009 compared to \$0 for the nine months ended September 30, 2008. The Company had not originated any secured real estate loans as of September 30, 2008.

Total expenses. Total expenses increased by \$3,596,669, or 392.7% to \$4,512,558 (including a provision for income taxes of \$67,818), for the nine months ended September 30, 2009 compared to \$915,889 for the nine months ended September 30, 2008. The significant components of expense are discussed below.

Due diligence on properties not acquired. Due diligence on properties not acquired decreased \$561,071 or 94.3% to \$33,947 for the nine months ended September 30, 2009 compared to \$595,018 for the nine months ended September 30, 2008. The decrease was primarily related to (i) a reduction in the number of potential real estate investments reviewed by the Company and (ii) the implementation of condensed evaluation procedures for potential real estate investments resulting in a more efficient and economical underwriting process.

Stock based compensation. This caption represents restricted stock grants, stock options, and other share based compensation authorized by the Company's board of directors. We incurred \$474,556 in stock based compensation for the nine months ended September 30, 2009 compared to \$0 for the nine months ended September 30, 2008. The Company had not issued any stock options nor incurred any other share based compensation expense as of September 30, 2008.

Cost of goods sold. Cost of goods sold represents direct costs attributable to the investment in the goods sold by the Company, in our case un-developed and under developed real estate assets. We incurred \$2,958,928 in cost of goods sold for the nine months ended September 30, 2009 compared to \$0 for the nine months ended September 30, 2008. The Company had not made any real estate investments as of September 30, 2008.

Acquisition Fees. Acquisition fees represent compensation paid to our Advisor for services provided to us during the identification, negotiation, underwriting, and purchase of our real estate-related investments. We incurred \$69,000 in acquisition fees for the nine months ended September 30, 2009 paid to the Advisors for services rendered in originating two secured real estate loans compared to \$0 for the nine months ended September 30, 2008.

Dues and Subscriptions. Dues and subscriptions represent fees paid by the Company for membership in and benefits from various real estate and real estate-related organizations. We incurred \$124,802 in dues and subscriptions for the nine months ended September 30, 2009 compared to \$0 for the nine months ended September 30, 2008. The Company had not entered into any contractual arrangements in any real estate or real estate-related organizations as of September 30, 2008.

Insurance. Insurance increased by \$10,992, or 7.2% to \$163,779 for the nine months ended September 30, 2009 compared to \$152,787 for the nine months ended September 30, 2008. The increase was primarily due to one extra payment of directors and officers insurance premium in 2009 as compared to 2008. The one extra payment of directors and officers insurance premium in 2009 as compared to 2008 was due to the Company not binding coverage until August 2008 when the Company met its minimum offering requirement breaking escrow and beginning operations.

Professional fees. Professional fees increased by \$230,697, or 207.5% to \$341,897 for the nine months ended September 30, 2009 compared to \$111,200 for the nine months ended September 30, 2008. The increase was primarily due to (i) the Company engaging an independent third-party consultant to assist the Company with its Sarbanes-Oxley documentation and (ii) more extensive annual 10-K and 10-Q reporting periods in 2009 as compared to 2008 resulting in higher accounting and legal fees.

Director compensation. Director compensation increased by \$101,475, or 635.9% to \$117,433 for the nine months ended September 30, 2009 compared to \$15,958 for the nine months ended September 30, 2008. The increase was primarily due to the accrual of director compensation over nine months for the nine months ended September 30, 2009 as compared to only one month for the nine months ended September 30, 2008 as directors did not begin earning compensation until the Company broke escrow and began operations which occurred on August 29, 2008.

General and Administrative. General and administrative costs increased by \$119,472, or 291.9% to \$160,398 for the nine months ended September 30, 2009 as compared to \$40,926 for the nine months ended September 30, 2008. The increase was primarily due to (i) a higher number of SEC filings during the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008 resulting in higher printing expenses, (ii) depreciation expense incurred on Company purchased software that existed in the nine months ended September 30, 2009 which had not occurred during the nine months ended September 30, 2008 and (iii) a higher level of asset management fees paid on real estate-related investments under management by Shopoff Advisor in 2009 as compared to 2008.

Provision for income taxes. This caption represents the amount on the condensed consolidated statement of operations that estimates the Company's total income tax liability for the year. We incurred \$67,818 in provision for income taxes for the nine months ended September 30, 2009 compared to \$0 for the nine months ended September 30, 2008. The Company sold its first real estate investment during the three months ended March 31, 2009.

Recent Market Developments

There have been historic disruptions in the financial system during the year 2008, the effects of which are continuing. The recent failure of large U.S. financial institutions and the resulting turmoil in the U.S. and global financial sector has had, and will likely continue to have, a negative impact on the terms and availability of credit and the state of the economy generally within the U.S.

It is presently unclear what impact the recent regulatory, legislative and policy initiatives will have on the financial markets, the U.S. banking and financial industries, and the broader U.S. and global economies. To the extent the market does not respond favorably to the recent regulatory, legislative and policy initiatives real estate companies, such as ours, may have difficulty securing mortgage debt at reasonable rates or at all. In addition, while the economic downturn may present opportunities for us to acquire assets that are undervalued, this opportunity is hampered by the increased cost of capital and uncertainty as to when the markets will stabilize.

Organization and Offering Costs

Our organization and offering costs may be paid by the Advisor, our broker-dealer and their affiliates on our behalf. These organization and offering costs include all expenses to be paid by us in connection with our ongoing initial public offering, including but not limited to (i) legal, accounting, printing, mailing, and filing fees; (ii) charges of the escrow holder; (iii) reimbursement to the advisor for other costs in connection with preparing supplemental sales materials; (iv) the cost of educational conferences held by us (including the travel, meal, and lodging costs of registered representatives of broker-dealers); and (v) reimbursement to the broker-dealer for travel, meals, lodging, and attendance fees incurred by employees of the broker-dealer to attend retail seminars conducted by broker-dealers.

Pursuant to the advisory agreement and the broker-dealer agreement, we are obligated to reimburse the Advisor, the broker-dealer or their affiliates, as applicable, for organization and offering costs paid by them on our behalf, provided that the advisor is obligated to reimburse us to the extent the organization and offering costs incurred by us in the offering exceed 12.34% of our gross offering proceeds. The Advisor and its affiliates have incurred on our behalf organization and offering costs of \$5.050 million through September 30, 2009. Such costs are only a liability to us to the extent the organization and offering costs do not exceed 12.34% of the gross proceeds of the offering. From commencement of our ongoing initial public offering through September 30, 2009, we had sold 1,851,400 shares for gross offering proceeds of \$17.588 million, excluding shares purchased by the Sponsor and recorded organization and offering costs of \$2.631 million.

Liquidity and Capital Resources

We broke escrow in our on-going initial public offering on August 29, 2008 and commenced real estate operations with the acquisition of our first material real estate investment on December 31, 2008. This first real estate investment was sold on March 20, 2009 for \$5,000,000. We are offering and selling to the public up to 2,000,000 shares of our common stock, \$.01 par value per share, at \$9.50 per share and 18,100,000 shares of our common stock, \$.01 par value per share, at \$10.00 per share. As of September 30, 2009, we had sold and accepted 1,851,400 shares of our common stock for \$17,588,300 excluding shares issued to the Sponsor and excluding vested restricted stock grants issued to certain officers and directors. As of September 30, 2009 we had received but had not yet accepted, additional subscriptions for the sale of 4,600 shares of our common stock at a price of \$9.50 per share.

Our principal demand for funds is and will be for the acquisition of undeveloped real estate properties and other real estate-related investments, the payment of operating and general and administrative expenses, capital expenditures and payments under debt obligations when applicable.

We did not pay any distributions to stockholders for the nine months ended September 30, 2009.

As of September 30, 2009, our liabilities totaled \$297,814 and consisted of accounts payable and accrued liabilities, and due to related parties. We have sufficient liquidity to meet these current obligations as disclosed.

As a result of the closing of a proposed acquisition that occurred subsequent to September 30, 2009 and discussed further in Notes 8 and 11 of the notes to condensed consolidated financial statements, a substantial portion of our remaining liquidity as of September 30, 2009 was utilized. Management believes that it will be able to raise additional capital for the Company through one or more potential sources including additional common stock sales, re-capitalization via a co-investment joint venture relationship, the sale of an asset currently owned by the Company and or securing appropriate longer-term debt.

Cash Flows

We had limited operations during the nine months ended September 30, 2008, because our registration statement was not declared effective with the SEC until August 29, 2007 and the Company did not meet the minimum offering requirement of the sale of 1,700,000 shares of common stock until August 29, 2008. Until the Company met the minimum offering requirement, all proceeds raised from the offering were held in an escrow account at Wells Fargo Bank N.A. We were designated as a development stage enterprise as a result of our limited operations for the nine months ended September 30, 2008. We transitioned from a development stage enterprise in the three months ended December 31, 2008 and began active operations upon the acquisition of our first property on December 31, 2008.

The following is a comparison of the main components of our statements of cash flows for the nine months ended September 30, 2009 to the nine months ended September 30, 2008:

Cash From Operating Activities

We used \$597,928 in operating activities for the nine months ended September 30, 2009 compared to \$983,932 that was used in operating activities for the nine months ended September 30, 2008. This \$597,928 was comprised of an operating gain of \$937,151 comprised primarily of revenue from the sale of real estate of \$5,000,000, interest income on secured notes receivable of \$387,819, interest income of \$31,890 from subscription proceeds, a loan fee from the extension of a loan maturity on an existing note receivable of \$30,000, cost of sales of real estate of \$2,958,928, stock compensation expense from restricted stock grants and stock options issued to directors and executive officers of \$474,556, due diligence costs related to projects not acquired of \$33,947, dues and subscriptions of \$124,802, professional fees of \$341,897, insurance expenses of \$163,779, acquisition fees of \$69,000, general and administrative expenses of \$160,398, director compensation expenses of \$117,433 and a provision for income taxes of \$67,818, a decrease in the amount owed to related parties of \$117,580, an increase in accounts payable and accrued liabilities of \$218,663, an increase in prepaid expenses and other assets of \$58,565, gain on sale of real estate investment of \$2,069,914 and depreciation expense of \$17,761.

Cash From Investing Activities

We used \$671,823 in investing activities for the nine months ended September 30, 2009 compared to \$537,000 that was used in investing activities for the nine months ended September 30, 2008. This \$671,823 was a result of originating two loans secured by real estate in the amount of \$2,300,000, accruing interest on the two loans secured by real estate of \$324,647, obtaining the underlying real estate serving as collateral for the two loans via two separate Memoranda of Assignment of Note, Deed of Trust and Loan Documents and Settlement Agreement's with the borrowers on the loans and then incurring other property related expenses of \$96,142, a reduction in prepaid interest of \$42,000 on a third loan secured by real estate, the accruing of interest of \$21,173 on a third loan secured by real estate, the sale of one real estate property for \$5,000,000, related project costs to the one real estate property sold in the amount of \$315,953, the reduction of deposits in the amount of \$1,300,000, \$2,300,000 which was originally placed into an escrow account for a real estate-related investment that has been made by us and a separate \$1,000,000 deposit which has been placed into an escrow account for the purchase of a real estate investment that has not yet been acquired by us, the purchase of three properties and related acquisition and other property related expenses of \$3,791,128 and the capitalization of expenses related to the purchase of property and equipment of \$80,781.

Cash From Financing Activities

We used \$333,566 in financing activities for the nine months ended September 30, 2009 compared to \$14,977,565 that was provided by financing activities for the nine months ended September 30, 2008. The \$333,566 was primarily comprised of the reimbursement to the Sponsor of \$477,965 in organization and offering expenses, the issuance of common stock to subscribers of \$144,400, the receipt of \$43,700 in stock subscriptions, and \$43,701 in restricted cash comprised of subscription proceeds and related interest, which were not accepted by us as of September 30, 2009.

Our principal demands for cash will be for property acquisitions and the payment of our operating and administrative expenses, future debt service obligations and distributions to our stockholders. Generally, we will fund our property acquisitions from the net proceeds of our public offering. We intend to acquire properties with cash and mortgage or other debt, but we may acquire properties free and clear of permanent mortgage indebtedness by paying the entire purchase price for properties in cash. Due to the delays between the sales of our shares, our acquisition of properties, and the subsequent disposition of properties, there will be a delay, potentially a number of years, in the benefits to our stockholders, if any, of returns generated from our investments.

As we have acquired limited properties, our management is not aware of any material trends or uncertainties, favorable or unfavorable, other than the global and regional economic crisis affecting real estate generally, which may be reasonably anticipated to have a material impact on capital resources necessary for the entitlement of our properties.

Our ability to finance our operations is subject to several uncertainties including those discussed above under “Recent Market Developments” and under “Risk Factors,” and accordingly, we cannot guarantee that we will have adequate cash from this offering in order to fund our operating and administrative expenses, any future debt service obligations and any future payment of distributions to our stockholders. Our ability to ultimately sell our real estate investments is partially dependent upon the condition of real estate markets at the time we are prepared to sell and the ability of purchasers to obtain financing at reasonable commercial rates.

Potential future sources of capital include secured and unsecured financings from banks or other lenders, establishing additional lines of credit, proceeds from the sale of properties and undistributed cash flow. However, we currently have not identified any additional sources of financing and there is no assurance that such sources of financings will be available on favorable terms or at all.

Distributions

We have not paid any distributions as of September 30, 2009. Our board of directors will determine the amount of distributions, if any, to be distributed to our stockholders. The board’s determination will be based on a number of factors, including funds available from operations, our capital expenditure requirements and the annual distribution requirements necessary to maintain our REIT status under the Internal Revenue Code. Because we expect that the majority of the properties we acquire will not generate any operating cash flow, the timing and amount of any dividends paid will be largely dependent upon the sale of acquired properties. Accordingly, it is uncertain as to when, if ever, dividends will be paid. Our stockholders should have the expectation that no substantial income will be generated from our operations for at least four years from the time we begin property acquisitions.

Investment Strategy

Our initial primary business focus was to buy, hold and sell undervalued, undeveloped non-income producing real estate assets and to generate returns to our stockholders upon disposition of such properties (although as described below, our recent focus has been on distressed or opportunistic property offerings). The land acquired may have been zoned for residential, commercial or industrial uses. Our strategy is to invest in properties with the following attributes:

- the potential for an annual internal rate of return in excess of 30% on a compounded basis;
- the potential for a sharp increase in value due to such factors as a recent or potential future zoning change or other opportunity where a property might lie in the path of progress;
- characteristics of the property enable us to ascertain that we could purchase the property at a discount from current market value;
- geographic location in California, Nevada, Arizona, Hawaii, or Texas;
- potential for capital appreciation;
- potential for economic growth in the community in which the property is located;
- prospects for liquidity through sale, financing or refinancing of the property;
- moderate competition from existing properties;
- location in a market in which we have familiarity based upon past experience or we have an advantage based upon our experience in repositioning properties;
- potential for development of the property into income property.

The recent focus of our acquisitions has been on distressed or opportunistic property offerings. At our inception, our focus was on adding value to property through the entitlement process, but the current real estate market has generated a supply of real estate projects that are all partially or completely developed versus vacant, undeveloped land. This changes the focus of our acquisitions to enhancing the value of real property through redesign and engineering refinements and removes much of the entitlement risk that we expected to undertake. Although acquiring distressed assets at greatly reduced prices from the peaks of 2005-2006 does not guaranty us success, we believe that it does allow us the opportunity to acquire more assets than previously contemplated.

We believe there will be continued distress in the real estate market in the near term and expect this to put downward pressure on near term prices. Our view of the mid to long term is more positive, and we expect property

values to improve over the four- to ten-year time horizon. Our plan is to be in a position to capitalize on these opportunities for capital appreciation.

We may acquire other real estate assets and real estate related investments as part of our investment strategy as follows:

Other Property Acquisitions. We may acquire partially improved and improved properties, particularly those in which there is a potential for a change in use, such as an industrial building changing to high density residential. In addition to fee simple interests, we may acquire long-term leasehold interests and leasehold estates. We may acquire real estate or real estate-related investments relating to properties in various other stages of development. We may enter into purchase and leaseback transactions, under which we will purchase a property from an entity and lease the property back to such entity under a net lease.

Making Loans and Investments in Mortgages. We do not intend to engage in the business of originating, warehousing or servicing real estate mortgages as a primary business, but we may do so as an ancillary result of our main business of investing in real estate properties. We may provide seller financing on certain properties if, in our judgment, it is prudent to do so. However, our main business is not investing in real estate mortgages, mortgage-backed securities or other securities.

Investment in Securities. We may invest in equity securities of another entity, other than the Operating Partnership or a wholly-owned subsidiary of us, only if a majority of our directors, including a majority of the independent directors not otherwise interested in such transaction, approve the transaction as being fair, competitive, commercially reasonable and consistent with our investment objectives. We may also invest in community facility district bonds. We will limit this type of investment to no more than 25% of our total assets, subject to certain tests for REIT qualification. We may purchase our own securities when traded on a secondary market or on a national securities exchange or national market system, if a majority of the directors determine such purchase to be in our best interests (in addition to repurchases made pursuant to our 2007 equity incentive plan which are subject to the right of first refusal upon transfer by plan participants). We may in the future acquire some, all or substantially all of the securities or assets of other REITs or similar entities where that investment would be consistent with our investment policies and the REIT qualification requirements.

Joint Ventures. We may invest in limited partnerships, general partnerships and other joint venture arrangements with nonaffiliated third parties and with other real estate entities programs formed by, sponsored by or affiliated with the Advisor or an affiliate of the Advisor, if a majority of our independent directors who are not otherwise interested in the transaction approve the transaction as being fair and reasonable to us and our stockholders and on substantially the same terms and conditions as those received by the other joint venturers. When we believe it is appropriate, we will borrow funds to acquire or finance properties.

Critical Accounting Policies

As defined by the SEC, our critical accounting policies will be those which are both important to the portrayal of our financial condition and results of operations, and which require management's most difficult, subjective, and/or complex judgments, often as a result of the need to make significant estimates and assumptions about the future effect of matters that are inherently uncertain. Such estimates and assumptions will be made and evaluated on an on-going basis using information that is currently available as well as various other assumptions believed to be reasonable under the circumstances. An accounting estimate requires assumptions about uncertain matters that could have a material effect on the Condensed Consolidated Financial Statements if a different amount within a range of estimates were used or if estimates changed from period-to-period. Estimates are made under facts and circumstances at a point in time, and changes in those facts and circumstances could produce actual results that differ from when those estimates were made, perhaps in material adverse ways. When we begin our operating activities, we anticipate that our critical accounting policies will include those which are described immediately below.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. These estimates will be made and evaluated on an on-going basis, using information that is currently available as well as applicable assumptions believed to be reasonable under the circumstances.

Actual results may vary from those estimates; in addition, such estimates could be different under other conditions and/or if we use alternative assumptions.

Principles of Consolidation

Since the Company's wholly owned subsidiary, Shopoff General Partner, LLC, is the sole general partner of the Operating Partnership and has unilateral control over its management and major operating decisions (even if additional limited partners are admitted to the Operating Partnership), the accounts of the Operating Partnership are consolidated in the Company's consolidated financial statements. The accounts of Shopoff General Partner, LLC are also consolidated in the Company's consolidated financial statements since it is wholly owned by the Company. SPT Real Estate Finance, LLC, SPT-SWRC, LLC, SPT-Lake Elsinore Holding Co., LLC and SPT AZ Land Holdings, LLC are also 100% owned by the Operating Partnership and therefore their accounts are consolidated in the Company's financial statements as of September 30, 2009 and December 31, 2008.

All intercompany accounts and transactions are eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid short-term investments with original maturities of three months or less when purchased to be cash equivalents.

Revenue and Profit Recognition

It is the Company's policy to recognize gains on the sale of investment properties. In order to qualify for immediate recognition of revenue on the transaction date, the Company requires that the sale be consummated, the buyer's initial and continuing investment be adequate to demonstrate a commitment to pay, any receivable resulting from seller financing not be subject to future subordination, and that the usual risks and rewards of ownership be transferred to the buyer. We would expect these criteria to be met at the close of escrow. The Company's policy also requires that the seller not have any substantial continuing involvement with the property. If we have a commitment to the buyer in a specific dollar amount, such commitment will be accrued and the recognized gain on the sale will be reduced accordingly.

Transactions with unrelated parties which in substance are sales but which do not meet the criteria described in the preceding paragraph will be accounted for using the appropriate method (such as the installment, deposit, or cost recovery method) as set forth in the Company's policy. Any disposition of a real estate asset which in substance is not deemed to be a "sale" for accounting purposes will be reported as a financing, leasing, or profit-sharing arrangement as considered appropriate under the circumstances of the specific transaction.

For income-producing properties, we intend to recognize base rental income on a straight-line basis over the terms of the respective lease agreements (including any rent holidays). Differences between recognized rental income and amounts contractually due under the lease agreements will be credited or charged (as applicable) to rent receivable. Tenant reimbursement revenue, which is expected to be comprised of additional amounts recoverable from tenants for common area maintenance expenses and certain other expenses, will be recognized as revenue in the period in which the related expenses are incurred.

Interest income on the Company's real estate notes receivable is recognized on an accrual basis over the life of the investment using the interest method. Direct loan origination fees and origination or acquisition costs are amortized over the term of the loan as an adjustment to interest income. The Company will place loans on nonaccrual status when concern exists as to the ultimate collection of principal or interest. When a loan is placed on nonaccrual status, the Company will reserve the accrual for unpaid interest and will not recognize subsequent interest income until the cash is received, or the loan returns to accrual status.

We believe that the accounting policy related to revenue recognition is a critical accounting policy because of the significant impact revenue recognition will have on our Condensed Consolidated Financial Statements.

Cost of Real Estate Assets Not Held for Sale

We anticipate that real estate assets will principally consist of wholly-owned undeveloped real estate for which we will obtain entitlements and hold such assets as long term investments for eventual sale. Undeveloped real estate not held for sale will be carried at cost subject to downward adjustment as described in "Impairment" below. Cost

will include the purchase price of the land, related acquisition fees, as well as costs related to entitlement, property taxes and interest. In addition, any significant other costs directly related to acquisition and development of the land will be capitalized. The carrying amount of land will be charged to earnings when the related revenue is recognized.

Income-producing properties will generally be carried at historical cost less accumulated depreciation. The cost of income-producing properties will include the purchase price of the land and buildings and related improvements. Expenditures that increase the service life of such properties will be capitalized; the cost of maintenance and repairs will be charged to expense as incurred. The cost of building and improvements will be depreciated on a straight-line basis over their estimated useful lives, which are expected to principally range from approximately 15 to 39 years. When depreciable property is retired or disposed of, the related cost and accumulated depreciation will be removed from the accounts and any gain or loss will be reflected in operations.

The costs related to abandoned projects are expensed when management believes that such projects are no longer viable investments.

Property Held for Sale

The Company has a policy for property held for sale. Our policy, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets, requires that in a period in which a component of an entity either has been disposed of or is classified as held for sale, the income statements for current and prior periods report the results of operations of the component as discontinued operations.

When a property is held for sale, such property will be carried at the lower of (i) its carrying amount or (ii) the estimated fair value less costs to sell. In addition, a depreciable property being held for sale (such as a building) will cease to be depreciated. We will classify operating properties as held for sale in the period in which all of the following criteria are met:

- Management, having the authority to approve the action, commits to a plan to sell the asset;
- The asset is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such asset;
- An active program to locate a buyer and other actions required to complete the plan to sell the asset has been initiated;
- The sale of the asset is probable, and the transfer of the asset is expected to qualify for recognition as a completed transaction within one year;
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current estimated fair value; and
- Given the actions required to complete the plan to sell the asset, it is unlikely that significant changes to the plan would be made or that the plan would be abandoned.

Selling commissions and closing costs will be expensed when incurred.

We believe that the accounting related to property valuation and impairment is a critical accounting estimate because: (1) assumptions inherent in the valuation of our property are highly subjective and susceptible to change and (2) the impact of recognizing impairments on our property could be material to our condensed consolidated balance sheets and statements of operations. We will evaluate our property for impairment periodically on an asset-by-asset basis. This evaluation includes three critical assumptions with regard to future sales prices, cost of sales and absorption. The three critical assumptions include the timing of the sale, the land residual value and the discount rate applied to determine the fair value of the income-producing properties on the balance sheet date. Our assumptions on the timing of sales are critical because the real estate industry has historically been cyclical and sensitive to changes in economic conditions such as interest rates and unemployment levels. Changes in these economic conditions could materially affect the projected sales price, costs to acquire and entitle our land and cost to acquire our income-producing properties. Our assumptions on land residual value are critical because they will affect our estimate of what a willing buyer would pay and what a willing seller would sell a parcel of land for (other than in a forced liquidation) in order to generate a market rate operating margin and return. Our assumption on discount rates is critical because the selection of a discount rate affects the estimated fair value of the income-producing properties. A higher discount rate reduces the estimated fair value of such properties, while a lower discount rate increases the

estimated fair value of these properties. Because of changes in economic and market conditions and assumptions and estimates required of management in valuing property held for investment during these changing market conditions, actual results could differ materially from management's assumptions and may require material property impairment charges to be recorded in the future.

Long-Lived Assets

The Company has a policy for property held for investment. Our policy requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the cost basis of a long-lived asset held for use is greater than the projected future undiscounted net cash flows from such asset (excluding interest), an impairment loss is recognized. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value.

Our policy also requires us to separately report discontinued operations and extends that reporting to a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to shareholders) or is classified as held for sale. Assets to be disposed of are reported at the lower of the carrying amount or estimated fair value less costs to sell.

Estimated Fair Value of Financial Instruments and Certain Other Assets/Liabilities

The Company's financial instruments include cash, accounts receivable, prepaid expenses, security deposits, accounts payable and accrued expenses. Management believes that the fair value of these financial instruments approximates their carrying amounts based on current market indicators, such as prevailing interest rates and the short-term maturities of such financial instruments.

Management has concluded that it is not practical to estimate the fair value of amounts due to and from related parties. The Company's policy requires, where reasonable, that information pertinent to those financial instruments be disclosed, such as the carrying amount, interest rate, and maturity date; such information is included in Note 6. Management believes it is not practical to estimate the fair value of related party financial instruments because the transactions cannot be assumed to have been consummated at arm's length, there are no quoted market values available for such instruments, and an independent valuation would not be practicable due to the lack of data regarding similar instruments (if any) and the associated potential cost.

The Company does not have any assets or liabilities that are measured at fair value on a recurring basis and, as of September 30, 2009 and December 31, 2008, did not have any assets or liabilities that were measured at fair value on a nonrecurring basis.

When the Company has a loan that is identified as being impaired or being reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with Company policy and is collateral dependent, it is evaluated for impairment by comparing the estimated fair value of the underlying collateral, less costs to sell, to the carrying value of the loan.

Our Company policy establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices for identical financial instruments in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as instruments that have little to no pricing observability as of the reported date. These financial instruments do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The Company's policy also discusses determining fair value when the volume and level of activity for the asset or liability has significantly decreased and identifying transactions that are not orderly. Company policy emphasizes that even if there has been a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. Furthermore, Company policy requires additional disclosures regarding the inputs and valuation technique(s) used in estimating the fair value of assets and liabilities as well as any changes in such valuation technique(s).

Notes Receivable

The Company's notes receivable are recorded at cost, net of loan loss reserves, and evaluated for impairment at each balance sheet. The amortized cost of a note receivable is the outstanding unpaid principal balance, net of unamortized costs and fees directly associated with the origination or acquisition of the loan.

The Company considers a loan to be impaired when, based upon current information and events, it believes that it is probable that the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. A reserve is established when the present value of payments expected to be received, observable market prices, or the estimated fair value of the collateral (for loans that are dependent on the collateral for repayment) of an impaired loan is lower than the carrying value of that loan.

Organization and Offering Costs

The Company's organization and offering costs may be paid by the Company's Advisor, broker-dealer and their affiliates on the Company's behalf. These organization and offering costs include all expenses to be paid by us in connection with the Company's ongoing initial public offering, including but not limited to (i) legal, accounting, printing, mailing, and filing fees; (ii) charges of the escrow holder; (iii) reimbursement to the advisor for other costs in connection with preparing supplemental sales materials; (iv) the cost of educational conferences held by us (including the travel, meal, and lodging costs of registered representatives of broker-dealers); and (v) reimbursement to the broker-dealer for travel, meals, lodging, and attendance fees incurred by employees of the broker-dealer to attend retail seminars conducted by broker-dealers.

Pursuant to the advisory agreement and the broker-dealer agreement, the Company is obligated to reimburse the advisor, the broker-dealer or their affiliates, as applicable, for organization and offering costs paid by them on the Company's behalf, provided that the Advisor is obligated to reimburse us to the extent the organization and offering costs incurred by us in the offering exceed 12.34% of the Company's gross offering proceeds. The Company's Advisor and its affiliates have incurred on the Company's behalf organization and offering costs of \$5.050 million through September 30, 2009. Such costs are only a liability to us to the extent the organization and offering costs do not exceed 12.34% of the gross proceeds of the offering. From commencement of the Company's ongoing initial public offering through September 30, 2009, the Company had sold 1,851,400 shares for gross offering proceeds of \$17.588 million and recorded organization and offering costs of \$2.631 million.

Potential Investments in Partnerships and Joint Ventures.

If we invest in limited partnerships, general partnerships, or other joint ventures we will evaluate such investments for potential variable interests pursuant to Company policy. We will evaluate variable interest entities (VIEs) in which we hold a beneficial interest for consolidation. VIEs, as defined by Company policy, are legal entities with insubstantial equity, whose equity investors lack the ability to make decisions about the entity's activities, or whose equity investors do not have the right to receive the residual returns of the entity if they occur. An entity will be considered a VIE if one of the following applies:

- The total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties (i.e., the equity investment at risk is not greater than the expected losses of the entity).
- As a group the holders of the equity investment at risk lack any one of the following three characteristics of a controlling financial interest:
 - The direct or indirect ability to make decisions about an entity's activities through voting rights or similar rights.
 - The obligation to absorb the expected losses of the entity if they occur.
 - The right to receive the expected residual returns of the entity if they occur.

An equity investment of less than 10% of total assets generally should be considered to be insufficient to fund the entity's operations unless there is clear evidence to the contrary, such as evidence that it can get financing for its activities without additional subordinated financial support.

If the Company is the interest holder that will absorb a majority of the VIE's expected losses and/or receive a majority of the VIE's expected residual returns, we will be deemed to be the primary beneficiary and must consolidate the VIE. Management will use its judgment when determining if we are the primary beneficiary of, or

have a controlling interest in, an unconsolidated entity. Factors considered in determining whether we have significant influence or we have control include risk and reward sharing, experience and financial condition of the other partners, voting rights, involvement in day-to-day capital and operating decisions and continuing involvement. In the primary beneficiary decision, it is important to realize that a holder which will absorb the majority of losses takes precedence over any other interest holder. The determination of which enterprise (if any) is the primary beneficiary would be made as of the date the company first becomes involved with the VIE — unless events requiring reconsideration of the status of the entity’s variable interest holders have occurred.

Investments in companies that are not consolidated will be accounted for using the equity method when we have the ability to exert significant influence. Generally, significant influence will exist if we have the ability to exercise significant influence over the operating and financial policies of an investee, which may need to include the ability to significantly influence the outcome of corporate actions requiring shareholder approval of an investee. Significant influence is generally presumed to be achieved by owning 20 percent or more of the voting stock of the investee. However, we will be required to evaluate all of the facts and circumstances relating to the investment to determine whether there is predominant evidence contradicting our ability to exercise significant influence, such as the inability by us to obtain financial information from the investee. Under this method, an investee company’s accounts are not reflected within the Company’s consolidated balance sheet and statement of operation; however, the Company’s share of the earnings or losses of the investee company will be reflected in the caption “Equity in net earning of unconsolidated subsidiaries” in the Company’s statement of operations. The Company’s carrying value in an equity method investee company will be reflected in the caption “Investments in unconsolidated subsidiaries” in the Company’s consolidated balance sheet.

Investments in companies in which we cannot exert significant influence will be accounted for under the cost method. Under this method, the Company’s share of the earnings or losses of such investee companies will not be included in the Company’s consolidated balance sheet or statement of operations.

The accounting policy relating to the need to consolidate or to account for such investments or acquisitions using the equity method of accounting is a critical accounting policy due to the judgment required in determining whether we are the primary beneficiary or have control or significant influence.

Income Taxes

The Company intends to make an election to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code, as amended, or the Code, beginning with the taxable year ending December 31, 2010. The Company has not yet qualified as a REIT. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90% of ordinary taxable income to stockholders. As a REIT, the Company generally will not be subject to federal income tax on taxable income that it distributes to its stockholders. If the Company fails to qualify as a REIT in any year, it will be subject to federal income taxes on taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost unless the Internal Revenue Service grants the Company relief under certain statutory provisions. Such an event could materially adversely affect the Company’s net income and net cash available for distribution to stockholders.

The Company has federal and state net operating loss carry-forwards in the amount of \$1.6M each, substantially all of which were also available for federal and state income tax purposes, at September 30, 2009, and are expected to begin expiring in 2027 and 2017, respectively. Effective September 30, 2008, the State of California suspended the ability of corporations to offset taxable income with net operating loss carryforwards for the tax years 2008 and 2009. Therefore, current tax expense has been provided for state income tax purpose and the effect of the federal alternative minimum tax on the ability of the Company to utilize net operating losses for federal alternative minimum tax purposes.

In assessing the realizability of the net deferred tax assets, the Company considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. As of September 30, 2009, the Company had a full valuation established against its deferred tax assets. Because of the valuation allowance, the Company had no deferred tax expense / (benefit).

Due to the “change in ownership” provisions of the Tax Reform Act of 1986, the Company’s net operating loss carry-forwards may be subject to an annual limitation on the utilization of these carry-forwards against taxable income in future periods if a cumulative change in ownership of more than 50% occurs within any three-year period.

The Company has adopted a policy for accounting for uncertainty in income taxes. The Company’s policy prescribes a recognition threshold and measurement attribute for the financial statement recognition and

measurement of a tax position taken or expected to be taken in a tax return. This policy also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The adopting of the Company's policy for accounting for uncertainty in income taxes did not result in any adjustment to the Company's beginning tax positions. As of September 30, 2009, there was no increase or decrease to liability for income tax associated with uncertain tax positions.

Stock-Based Compensation

Stock-based compensation will be accounted for in accordance with Company policy which requires that the compensation costs relating to share-based payment transactions (including the cost of all employee stock options) be recognized in the Condensed Consolidated Financial Statements. That cost will be measured based on the estimated fair value of the equity or liability instruments issued. Our Company policy covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.

Noncontrolling Interests in Consolidated Financial Statements

The Company classifies noncontrolling interests (previously referred to as "minority interest") as part of consolidated net earnings (\$0 for each of the quarters ended September 30, 2009 and 2008, respectively) and includes the accumulated amount of noncontrolling interests as part of stockholders' equity (\$100 for the quarter ended September 30, 2009 and year ended December 31, 2008, respectively). The net loss amounts the Company has previously reported are now presented as "Net loss attributable to Shopoff Properties Trust, Inc." and, earnings per share continues to reflect amounts attributable only to the Company. Similarly, in the presentation of shareholders' equity, the Company distinguishes between equity amounts attributable to the Company's stockholders and amounts attributable to the noncontrolling interests — previously classified as minority interest outside of stockholders' equity. Increases and decreases in the Company's controlling financial interests in consolidated subsidiaries will be reported in equity similar to treasury stock transactions. If a change in ownership of a consolidated subsidiary results in loss of control and deconsolidation, any retained ownership interests are remeasured with the gain or loss reported in net earnings.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. In pursuing our business plan, we expect that the primary market risk to which we will be exposed is interest rate risk.

We may be exposed to the effects of interest rate changes primarily as a result of borrowings used to maintain liquidity and fund expansion and refinancing of our real estate investment portfolio and operations. Our interest rate risk management objectives will be to limit the impact of interest rate changes on earnings, prepayment penalties and cash flows and to lower overall borrowing costs while taking into account variable interest rate risk. To achieve our objectives, we may borrow at fixed rates or variable rates. We currently have limited exposure to financial market risks because we are in an early stage of our operations. We currently invest our cash and cash equivalents in an FDIC-insured savings account which, by its nature, is subject to interest rate fluctuations. As of September 30, 2009, a 1% increase or decrease in interest rates would have no material effect on our interest income.

In addition to changes in interest rates, the value of our real estate and real estate related investments is subject to fluctuations based on changes in local and regional economic conditions and changes in the creditworthiness of lessees, and which may affect our ability to refinance our debt if necessary.

Item 4T. Controls and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2009. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2009, our disclosure controls and procedures are effective.

There have been no significant changes in our internal controls over financial reporting during the quarter ended September 30, 2009 that have materially affected or are reasonably likely to materially affect such controls.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Internal Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

A previously owned real estate property known as the "Pulte Home Project" is the subject of a dispute regarding obligations retained by both the seller, Pulte Home, when it sold the project to an affiliate of the Company, SPT SWRC, LLC, on December 31, 2009, and by SPT SWRC, LLC when it resold the project to Khalda on March 20, 2009, to complete certain improvements, such as grading and infrastructure (the "Improvements"). Both sales were made subject to the following agreements which, by their terms, required the Improvements to be made: (i) a Reconveyance Agreement, dated November 15, 2007, by and among Pulte Home and the prior owners of the project — Barratt American Incorporated, Meadow Vista Holdings, LLC ("Meadow Vista") and Newport Road 103, LLC ("Newport") (the "Reconveyance Agreement"), and (ii) a letter agreement, dated December 30, 2008, executed by SPT SWRC, LLC, Meadow Vista, and Newport, and acknowledged by Pulte Home (the "Subsequent Letter Agreement"). Meadow Vista and Newport, as joint claimants (the "Claimants") against Pulte Home and SPT SWRC, LLC, have initiated binding arbitration in an effort to require Pulte Home to reaffirm its obligations under the Reconveyance Agreement and the Subsequent Letter Agreement to make the Improvements in light of the subsequent transfer of ownership of the project to Khalda, and to require that certain remedial measures be taken to restore the site to a more marketable condition. SPT SWRC, LLC maintains that it is not a proper party to the arbitration, because the declaratory action being sought by the Claimants is to establish rights of the Claimants against Pulte Home, and not against SPT SWRC, LLC, and neither SPT SWRC, LLC nor Pulte Home has taken the position that their respective transfers of the project has released them from the obligation to make the Improvements. The arbitration process is at its inception and, although we believe the request for declaratory relief by the Claimants has no legal basis and that the issue is not arbitrable since no actual dispute exists, we cannot predict the outcome of the arbitration proceedings at this time.

Item 1A. Risk Factors

There are no material changes to the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008, as modified and supplemented by the risk factors disclosed in our Quarterly Report on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009 respectively. The materialization of any risks and uncertainties identified in our Forward Looking Statements contained in this report together with those previously disclosed in the Form 10-K and 10-Q or those that are presently unforeseen could result in significant adverse effects on our financial condition, results of operations and cash flows. See Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward Looking Statements" in this Quarterly Report on Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On August 29, 2007, our Registration Statement on Form S-11 (File No. 333-139042), covering a public offering, which we refer to as the "Offering," of up to 2,000,000 common shares for \$9.50 per share and up to 18,100,000 common shares at \$10.00 per share, was declared effective under the Securities Act of 1933. Proceeds raised from the Offering were placed in an interest bearing escrow account until August 29, 2008 when we received and accepted subscriptions for the minimum offering of 1,700,000 shares, as more fully described in the Registration Statement.

As of September 30, 2009, we had sold 1,851,400 shares of common stock in the Offering excluding shares purchased by our Sponsor and excluding vested restricted stock grants issued to certain officers and directors, raising gross proceeds of \$17,588,300. From this amount, we have incurred approximately \$5,050,000 in organization and offering costs (of which approximately \$2,631,000 has been recorded in our financial statements). As of September 30, 2009, we had net offering proceeds from the Offering of approximately \$15,490,000 which includes shares purchased by our Sponsor and the vesting of restricted stock grants and stock options issued to certain executive officers and directors. We used the net offering proceeds to purchase our interests in four properties and to originate three loans, two of which we have obtained the underlying real estate which served as collateral for the loans,, to pay \$306,000 in acquisition or origination fees and \$84,081 in asset management fees and to pay other operating expenses and fees. For more information regarding how we used the net proceeds from our initial public offering to date (along with how we used cash from operating activities) through September 30, 2009, see our condensed consolidated statements of cash flows included in this report.

During the period covered by this Form 10-Q, we did not sell any equity securities that were not registered under the Securities Act of 1933, and we did not repurchase any of our securities.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

On November 5, 2009, an affiliate of the Company, SPT-Lake Elsinore Holding Co., LLC, a Delaware limited liability company ("Buyer") and wholly owned subsidiary of the Company's affiliate, Shopoff Partners, L.P., closed on the purchase of real property, commonly known as "Tuscany Valley," consisting of (a) 519 entitled but unimproved residential lots and 2 commercial lots located in the City of Lake Elsinore, California and (b) 400 acres of unentitled and unimproved land located in the City of Chino Hills, California. The purchase price was \$9,600,000.

The purchase was made pursuant to a purchase and sale agreement and joint escrow instructions, dated September 30, 2008 (the "Tuscany Valley Purchase Agreement"), by and between the Company's Advisor and TSG Little Valley, a California limited partnership ("Seller"), whereby Seller agreed to sell and the Company's Advisor agreed to buy, 163 entitled but unimproved residential lots located in the City of Lake Elsinore, California. The contract purchase price was for \$4,890,000.

The Tuscany Valley Purchase Agreement was subsequently amended by those certain amended/supplemental escrow instructions dated October 16, 2008, October 27, 2008, November 11, 2008, November 25, 2008, December 30, 2008, January 13, 2008, January 27, 2009 and February 24, 2009. The Tuscany Valley Purchase Agreement was further amended by that certain undated Corrective Amendment, which was drafted for the sole purpose of changing a signature block on the Tuscany Valley Purchase Agreement.

On September 3, 2009, the Company's Advisor executed an assignment of purchase and sale agreement whereby the Advisor assigned all of its rights, title and interest in the Tuscany Valley Purchase Agreement to Buyer.

Also on September 3, 2009, Buyer entered into a first amendment to purchase and sale agreement and joint escrow instructions with Seller, which amended the Tuscany Valley Purchase Agreement as follows: (a) Buyer agreed to purchase additional property from Seller consisting of 356 entitled but unimproved, residential lots and 2 commercial lots located in the City of Lake Elsinore, California and 400 acres of unentitled and unimproved land located in the City of Chino Hills, California, (b) the purchase price was increased to \$9,600,000 from \$4,890,000, (c) the nonrefundable deposit requirement was increased to \$2,000,000 from \$1,000,000, and (d) the escrow closing date was amended to on or before November 30, 2009.

On October 15, 2009, Buyer entered into a second amendment to purchase and sale agreement and joint escrow instructions with Seller to provide that \$2,900,000 of the purchase price would be paid by Buyer's execution and delivery into escrow of (a) an all-inclusive purchase money note secured by deed of trust ("Promissory Note") in favor of Seller, as payee therein, in the principal amount of \$2,900,000, and (b) an all-inclusive deed of trust executed by Buyer in favor of Seller, as beneficiary therein, securing the foregoing all-inclusive purchase money note. On October 15, 2009, the second amendment was restated (the "Restated Second Amendment") for the sole purpose of correcting a signature block.

The Promissory Note bears interest at a rate of twelve percent per annum, and has a maturity date in twelve months at which time all accrued and unpaid interest and principal is due in full. No payments are due during the term of the Promissory Note. The Promissory Note with its loan balance of \$2,900,000 includes the unpaid balance of that certain other promissory note having a loan date of April 3, 2006, in the original principal amount of \$2,000,000 payable by Seller to 1st Centennial (the "Included Note"). The Included Note is secured by a deed of

trust dated April 3, 2006 and recorded on April 10, 2006 in the Official Records of Riverside County, California as Instrument No. 2005-0254320. The outstanding principal balance on the Included Note as of November 3, 2009 was approximately \$1,750,000. The current payee under the Included Note is the Federal Deposit Insurance Corporation, as receiver for 1st Centennial Bank.

Should Seller fail to pay any installments when due upon the Included Note, Buyer may make such payments directly to payee of the Included Note, and the amount shall be credited to the next following installment or installments due under the Promissory Note. If Buyer fails to make any payment when required under either the Promissory Note, Seller has the option to immediately declare all sums due and owing under the Promissory Note.

Stevan J. Gromet, President of Portfolio Partners, Inc., a California corporation, the general partner of Seller, is a shareholder of the Company with ownership of 47,800 shares as of September 30, 2009, which represents approximately 2.51% of our total shares outstanding including 21,100 shares purchased by our sponsor and 35,000 vested restricted stock grants issued to our officers and directors.

Seller is a shareholder of the Company with ownership of 380,500 shares as of September 30, 2009, which represents approximately 19.95% of the Company's total shares outstanding including 21,100 shares purchased by our sponsor and 35,000 vested restricted stock grants issued to our officers and directors.

The Advisor received an acquisition fee equal to 3% of the contract purchase price, or \$288,000, upon consummation of the transaction.

Item 6. Exhibits

- Exhibit 10.1: Assignment of Purchase and Sale Agreement between Shopoff Advisors and SPT-Lake Elsinore Holding Co., LLC dated September 3, 2009.
- Exhibit 10.2: First Amendment to Purchase and Sale Agreement and Joint Escrow Instructions between TSG Little Valley, L.P. and SPT-Lake Elsinore Holding Co., LLC and dated September 3, 2009.
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- Exhibit 31.2: Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SHOPOFF PROPERTIES TRUST, INC.
(Registrant)

Date November 16, 2009

By: /s/ William A. Shopoff
William A. Shopoff
Chief Executive Officer
(Principal Executive Officer)

Date November 16, 2009

By: /s/ Kevin M. Bridges
Kevin M. Bridges
Chief Financial Officer,
(Principal Financial Officer)

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