

# SHOPOFF PROPERTIES TRUST, INC.

## CODE OF BUSINESS CONDUCT AND ETHICS

### I. Introduction

Shopoff Properties Trust, Inc. ("Shopoff") strives to conduct its business in accordance with the highest ethical standards and in compliance with all applicable governmental laws, rules and regulations. Shopoff believes that it is imperative that its officers and Board of Directors act at all times in an honest and ethical manner in connection with their service to Shopoff. The principles of integrity, accountability and fair dealing are the cornerstone of Shopoff's business, and are critical to its future success. To further these objectives, the Board of Directors of Shopoff has adopted this Code of Business Conduct and Ethics (this "Code"). This Code applies to each of Shopoff's officers and each member of its Board of Directors (the "Covered Persons").

Covered Persons are expected to conduct themselves honestly and ethically in accordance with this Code. Covered Persons who violate the policies in this Code will be subject to disciplinary action, up to and including a discharge from Shopoff, and, where appropriate, civil liability and criminal prosecution. Shopoff understands that no code or policy can anticipate every situation that may arise. Accordingly, this Code is intended to serve as a source of guiding principles.

This Code of Conduct is intended to meet the requirements for a code of ethics under the Sarbanes-Oxley Act of 2002 and the listing standards of the Nasdaq Stock Market ("Nasdaq"). Shopoff, however, is not required to comply with these requirements and standards and is only doing so voluntarily.

### II. Compliance with Laws, Rules and Regulations

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

### III. Conflicts of Interest

A conflict of interest occurs when an individual's personal interest is adverse to, or otherwise in conflict with, the interests of Shopoff. In basic terms, Covered Persons are responsible to provide Shopoff their best efforts and undivided loyalty. Covered Persons should avoid any activity, investment or interest that a reasonable person might perceive as an unfavorable reflection on their personal integrity or good name, or on Shopoff as a whole. Covered Persons should not engage in any activity that a reasonable person might perceive as potentially detrimental to Shopoff or that could be viewed as depriving Shopoff of a legitimate benefit.

Covered Persons should avoid any private interest that may influence their ability to act in the best interests of Shopoff or that makes it difficult to perform their work objectively and effectively. Conflicts of interest also arise when a Covered Person or an immediate family member of a Covered Person receives improper personal benefits as a result of the Covered Person's position with Shopoff.

It is difficult to list all the ways in which a potential conflict of interest may arise. However, the following situations are cases of conflicts of interest which should be handled in accordance with the Code and applicable corporate policy:

**Outside Employment.** No executive officer may be employed by a company that competes with Shopoff, other than affiliates of Shopoff, provides any service that Shopoff provides or deprives Shopoff of any business. Covered Persons have a duty to advance Shopoff's legitimate interests when the opportunity to do so arises.

**Business Gifts and Entertainment.** No Covered Person may receive benefits, favors, gifts or entertainment that might conflict with the proper performance of his or her duties or that might adversely affect his or her independent judgment on behalf of Shopoff. Conversely, when entertaining or providing business gifts, a Covered Person should use such to create goodwill and sound working relationships, not to gain an unfair advantage with investors, lenders, tenants, suppliers or other customers.

**Financial Interests.** No executive officer may have a financial interest, either directly or indirectly (including through any family member), in any business enterprise if that interest unduly interferes with his or her ability to perform his or her duties to Shopoff objectively and effectively, or otherwise act in the best interest of Shopoff.

**Loans or Other Financial Transactions.** Shopoff may not make a personal loan to any Covered Person or a member of his or her family.

**Corporate Opportunities.** A Covered Person should not improperly use his or her position with Shopoff to benefit him- or herself, relatives, friends or other business interests. Except as otherwise allowed by this Code or Shopoff's Articles of Incorporation, no Covered Person may, without following the procedures set forth in this Code and/or the Articles of Incorporation: (i) take for himself or herself personally opportunities that are discovered through the use of Shopoff information or property, or such person's position with Shopoff; (ii) use Shopoff property or information for personal gain; or (iii) compete with Shopoff, other than through employment with Shopoff affiliates.

#### **IV. Accurate Record Keeping and Reporting**

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

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

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

- all business transactions are properly authorized;
- all records fairly and accurately reflect in reasonable detail Shopoff's assets, liabilities, revenues and expenses;
- Shopoff's accounting records do not contain any false or intentionally misleading entries;
- no transactions are intentionally misclassified as to accounts, departments or accounting periods;
- all transactions are supported by accurate documentation in reasonable detail and recorded in the proper account and in the proper accounting period; and
- no information is concealed from the internal auditors, the independent auditors or the Board of Directors.

## **V. Payments to Foreign and U.S. Government Personnel**

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

In addition, the U.S. government has a number of laws and regulations regarding business gratuities that may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Shopoff policy, but could also be a criminal offense. State and local governments may have similar rules. Each Covered Person must comply with these federal, state and local laws and rules.

## **VI. Accountability**

Each Covered Person must:

- upon adoption of the Code (or thereafter as applicable, upon becoming a Covered Person), affirm in writing that he or she has received, read, understands, and agrees to abide by the Code;
- annually thereafter affirm that he or she has complied with the requirements of the Code;
- report any violation of this Code of which he or she becomes aware involving himself, herself or another Covered Person in accordance with Section VII of this Code; and
- not retaliate against any other Covered Person for reports of potential violations that are made in good faith.

## **VII. Reporting any Violations of this Code**

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

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

## **VIII. Administration and Interpretation of the Code**

This Code will be administered and monitored by a Code Administrator appointed by the Board of Directors or the Audit Committee from time to time. The Audit Committee shall have the ultimate responsibility for ensuring compliance with the Code.

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

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

- Receiving, reviewing, investigating and resolving concerns and reports on the matters described in the Code;
- Interpreting and providing guidance on the meaning and application of the Code;
- Reporting periodically and as matters arise to the Audit Committee on the implementation and effectiveness of the Code and other compliance matters; and
- Recommending to the Audit Committee any updates or amendments to the Code that he deems necessary or advisable.

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

The Audit Committee shall have responsibility for:

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

#### **IX. Waivers; Public Disclosure**

Waivers of the Code will be granted on a case-by-case basis and only in extraordinary circumstances. Waivers of this code may be made only by the Board of Directors (excluding interested directors, if any), or the appropriate committee of the Board of Directors, and will be promptly disclosed to the public.

#### **X. Addressing Conflicts of Interest with Shopoff's Board of Directors**

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

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

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Adopted by the Board of Directors on August 13, 2008.