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 June 30, 2011

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 ☐ (Do not check if a smaller reporting company)	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 21, 2011, there were 2,011,750 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 offering terminated on August 29, 2010. The June 30, 2011 condensed consolidated financial statements of the Company required to be filed with this Quarterly Report on Form 10-Q were prepared by management without audit and commences on the following page, together with the related notes. In the opinion of management, the June 30, 2011 condensed consolidated financial statements present fairly the financial position, results of operations and cash flows of the Company as of June 30, 2011. This report should be read in conjunction with the annual report of the Company for the year ended December 31, 2010, included in the Company’s Form 10-K previously filed with the SEC on April 15, 2011.

CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2011 (Unaudited) and December 31, 2010

	June 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Assets		
Cash and cash equivalents	$ 1,138,134	$ 31,079
Restricted cash	80,845	80,845
Note and interest receivable	356,797	713,593
Real estate investments	15,124,334	14,545,271
Real estate investments, held for sale	—	3,471,869
Prepaid expenses and other assets, net	98,837	53,057
Due from related parties	—	380,390
Loan fees and related loan expenses, net	—	52,741
Real estate deposits	100,100	—
Property and equipment, net	34,431	56,850
Total Assets	$ 16,933,478	$ 19,385,695
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued liabilities	$ 414,379	$ 848,690
Due to related parties	98,857	88,276
Interest payable	20,055	146,625
Income taxes payable	24,422	—
Notes payable secured by real estate investments, net	1,500,000	4,328,416
Total Liabilities	2,057,713	5,412,007
Commitments and Contingencies	—	—
Equity		
Shopoff Properties Trust, Inc. stockholders equity:		
Common stock, $0.01 par value; 200,000,000 shares authorized; 2,011,750 and 2,011,750 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	20,118	20,118
Additional paid-in capital, net of offering costs	17,543,977	17,286,715
Accumulated deficit	(2,688,430)	(3,333,245)
Total Shopoff Properties Trust, Inc. stockholders equity	14,875,665	13,973,588
Non-controlling interest	100	100
Total stockholder's equity	14,875,765	13,973,688
Total Liabilities and Stockholder's Equity	$ 16,933,478	$ 19,385,695

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Six months Ended June 30, 2011 and 2010
(Unaudited)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Revenues:				
Sales of real estate	$ 6,300,000	$ —	$ 6,300,000	$ 2,231,775
Interest income, notes receivable	—	24,728	—	45,450
	6,300,000	24,728	6,300,000	2,277,225
Expenses:				
Cost of sales of real estate	3,920,387	131,283	3,920,387	1,487,956
Loan loss provision	—	—	356,796	—
Legal settlement	—	—	200,000	—
Stock based compensation	128,631	112,482	257,262	224,964
Professional fees	83,549	56,277	256,905	188,263
Due diligence costs related to properties not acquired	23,110	16,240	23,110	38,779
Asset management fees	86,742	94,516	178,217	191,161
Dues and subscriptions	30,138	29,652	38,503	59,274
Insurance	50,149	50,434	101,738	100,868
General and administrative	144,115	40,049	206,595	70,448
Director compensation	50,875	50,875	91,250	95,750
	4,517,696	581,808	5,630,763	2,457,463
Net income (loss) before income taxes	1,782,304	(557,080)	669,237	(180,238)
Provision (benefit) for income taxes	24,422	(14,637)	24,422	(14,637)
Net income (loss) available to common shareholders per common share:	$ 1,757,882	$ (542,443)	$ 644,815	$ (165,601)
Basic	$ 0.87	$ (0.28)	$ 0.32	$ (0.09)
Diluted	$ 0.79	$ (0.28)	$ 0.29	$ (0.09)
Weighted-average number of common shares outstanding used in per share computations:				
Basic	2,011,750	1,930,278	2,011,750	1,928,161
Diluted	2,238,000	1,930,278	2,238,000	1,928,161

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six months Ended June 30, 2011 and 2010
(Unaudited)

	Six months Ended June 30, 2011	Six months Ended June 30, 2010
Cash Flows From Operating Activities		
Net income (loss)	$ 644,815	$ (165,601)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Gain on sale of real estate investments	(2,379,613)	(743,819)
Loan loss provision	356,796	—
Depreciation expense	22,419	22,384
Amortization expense	52,741	—
Stock based compensation expense	257,262	224,964
Prepaid interest expense for new loan secured by real estate investment	80,000	—
Interest receivable from real estate-related investment	—	(15,436)
Changes in assets and liabilities:		
Due from related parties	380,390	—
Due to related parties	10,580	47,353
Accounts payable and accrued liabilities	(486,104)	216,239
Income taxes payable	24,422	(42,986)
Interest payable	(126,569)	17,833
Prepaid expenses and other assets	6,014	733
Net cash (used in) operating activities	(1,156,847)	(438,336)
Cash Flows From Investing Activities		
Real estate deposits	(100,100)	—
Purchase of property and equipment	—	(1,444)
Real estate investments	(657,195)	(627,356)
Proceeds from sale of real estate investments, net	5,929,613	1,894,253
Net cash provided by investing activities	5,172,318	1,265,453
Cash Flows From Financing Activities		
Repayment of notes payable secured by real estate investment	(2,908,416)	(991,584)
Stock subscriptions	—	(59,850)
Issuance of common stock to subscribers	—	301,150
Restricted cash	—	(115,936)
Net cash used in financing activities	(2,908,416)	(866,220)
Net change in cash	1,107,055	(39,103)
Cash, beginning of period	31,079	146,022
Cash, end of period	$ 1,138,134	$ 106,919
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 362,700	$ 172,923
Cash paid for income taxes	$ —	$ 37,000
SUPPLEMENTAL DISCLOSURE OF NON CASH FLOW INFORMATION		
Unbilled insurance reimbursement included in other assets and unpaid legal liability included in accounts payable and accrued liabilities	$ 51,793	$ —

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION AND NATURE OF BUSINESS

Formation and nature of operations

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, 2011. 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, although we believe that prices have found support in some of our target markets. We have seen pricing increase from the lows of the past year or two, but opportunities continue to be available as properties make their way through the financial system and ultimately come to market. We are also seeing more opportunities to work with landowners under options or joint ventures and obtain entitlements in order to create long term shareholder value. Our view of the mid to long term is more positive, and we expect property values to improve over the next four- to ten-year time horizon. Our plan has been to position the REIT to capitalize on these opportunities for capital appreciation.

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 June 30, 2011, the Company had accepted subscriptions for the sale of 1,919,400 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 71,250 shares of vested restricted stock issued to certain officers and directors. As of August 29, 2010, the Company concluded its best-efforts initial public offering in which it offered 2,000,000 shares of its common stock at a price of $9.50 per share and 18,100,000 shares of common stock at $10.00 per share. At August 29, 2010, the end of the offering period, the Company had 80,600 shares of common stock at a price of $9.50 and 18,100,000 shares at a price of $10.00 remaining for sale and subsequently proceeded with the deregistration of these shares totaling 18,180,600 through the filing of a post effective amendment number 7 with the SEC. The SEC declared this post effective amendment number 7 effective on September 7, 2010.

The Company has adopted December 31 as its fiscal year end.

As of June 30, 2011, the Company owned five properties (See Note 4 for additional information):

- A final plat of seven hundred and thirty nine residential lots on a total of two hundred acres of unimproved land in the Town of Buckeye, Maricopa County, Arizona purchased for $3,000,000.

- Approximately one hundred eighteen 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 us of all of Springbrook's obligations under a secured promissory note owned by the Company.

- 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 us of all of Springbrook’s obligations under a second, separate secured promissory note owned by the Company.

- Three hundred and fifty-five entitled but unimproved residential lots and two commercial lots located in the City of Lake Elsinore, California. The three hundred and fifty-five entitled but unimproved residential lots and two commercial lots were originally purchased as part of a larger original transaction that included five hundred and nineteen entitled but unimproved residential lots and two commercial lots with an overall purchase price of $9,600,000. The remaining three hundred and fifty-five entitled but unimproved residential lots and two commercial lots have an allocated basis of $4,430,000.

- Four hundred acres of unentitled and unimproved land located in the City of Chino Hills, California purchased as part of a larger transaction with an overall purchase price of $9,600,000. The four hundred acres have an allocated basis of $3,270,000.

Through June 30, 2011, 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 June 30, 2011and December 31, 2010 (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.

The Company’s majority-owned subsidiary, Shopoff Partners, L.P., a Maryland limited partnership (the “Operating Partnership”), or wholly owned subsidiaries of the Operating Partnership, will own substantially all of the properties acquired on behalf of the Company. 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.

Liquidity Matters

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue to meet its liquidity requirements for the foreseeable future. As of June 30, 2011, the Company has an accumulated deficit of approximately $2,688,430, has approximately $1,138,000 in cash, owes vendors approximately $558,000, and has a note payable of $1,500,000, which is due and payable July 31, 2011. These conditions raised concerns about the Company’s ability to continue to meet its liquidity requirements for the foreseeable future and, as a result management took the following actions: The Company executed an extension on an existing secured promissory note with a current outstanding principal balance of $1,500,000 by one year in exchange for a principal pay down of $300,000 on or before the current maturity date of July 31, 2011. This extension deferred $1,200,000 in notes payable liabilities originally required to be paid in July 2011, to July 2012. The Company paid the principal pay down of $300,000 on August 5, 2011 (see Note 9).

Management is also evaluating the following options (i) sales of other Company assets, (ii) lending sources for land assets although the cost of such funds could be prohibitive in nature, and (iii) a recapitalization of us whereby a third-party capital source would take partial ownership of existing Company assets in a joint venture arrangement in exchange for cash is possible as discussions have occurred with several real estate private equity firms who have indicated interest in taking a partial ownership position with existing Company assets. As a result of above, the Company believes it will have sufficient funds for the operation of the Company for the foreseeable future. If (i), (ii), and (iii) discussed above do not happen, the Company may need to consider alternative solutions or may need to cease operations. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

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 condensed consolidated 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, 2010. 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 June 30, 2011, the results of operations for the three and six month periods ended June 30, 2011 and 2010, and cash flows for the six month periods ended June 30, 2011 and 2010. The results of operations for the six months ended June 30, 2011 are not necessarily indicative of the results anticipated for the entire year ending December 31, 2011. Amounts related to disclosure of December 31, 2010 balances within these interim condensed consolidated financial statements were derived from the audited 2010 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. Additionally, SPT Real Estate Finance, LLC, SPT-SWRC, LLC, SPT-Lake Elsinore Holding Co., LLC, SPT AZ Land Holdings, LLC, SPT – Chino Hills, LLC and Shopoff TRS, Inc. are also 100% owned by the Operating Partnership and therefore their accounts are consolidated in the Company’s financial statements as of and for the six months ended June 30, 2011 and the year ended December 31, 2010.

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 consists of cash. As of June 30, 2011, we did not have any bank balances in excess of the Federal Deposit Insurance Corporation ("FDIC") limit of $250,000.

As of June 30, 2011, 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 June 30, 2011 approximated $590,047. 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 effective 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.

There was no loan loss provisions recorded for the three months ended June 30, 2011. The Company did recognize a loan loss provision of $356,796 during the three months ended March 31, 2011. This note receivable is known as Mesquite Venture I, LLC. See Note 3 and Note 9 for additional information.

Cost of Real Estate Assets Not Held for Sale

Real estate assets principally consist of wholly-owned undeveloped real estate for which we 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.

As of December 31, 2010, two existing company investments known as the Underwood Project and the Tuscany West Project met the above criteria and as a result were presented as assets held for sale in the accompanying consolidated balance sheets as of December 31, 2010. These two existing company investments were subsequently sold in May 2011. See Note 4 for additional information.

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 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 charges recorded for the six months ended June 30, 2011. The Company did recognize impairment charges in the aggregate amount of $1,000,000 on three real estate investments during the year ended December 31, 2010. These three existing Company investments are known as the Desert Moon Estates Project, the Tuscany West Project, and the Commercial Project (the Tuscany West Project and the Commercial Project being part of a larger original purchase known as the Tuscany Valley Properties). The Desert Moon Estates Project recognized an impairment charge of $397,000, the Tuscany West Project recognized an impairment charge of $335,000, and the Commercial Project recognized an impairment charge of $268,000.

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. There were no significant operations related to the properties sold.

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 June 30, 2011, the Company had granted 173,750 shares of restricted stock to certain directors and officers, 71,250 of which were vested as of June 30, 2011 and 102,500 of which remain unvested as of June 30, 2011. Such unvested shares were included in the calculation of EPS for the six months ended June 30, 2011 since their effect was dilutive.

As of June 30, 2011, the Company had 123,750 stock options that were granted to certain directors and officers, 42,900 of which were vested as of June 30, 2011 and 80,850 of which remain unvested as of June 30, 2011. The 123,750 stock options were included in the calculation of EPS for the six months ended June 30, 2011 and their effect was dilutive.

The following is a reconciliation of the shares used in the computation of basic and diluted EPS for the six months ended June 30, 2011 and 2010, respectively:

	Six months Ended June 30, 2011	Six months Ended June 30, 2010
	(Unaudited)	
Numerator:		
Net income (loss)	$ 644,815	$ (165,601)
Denominator:		
Weighted average outstanding shares of common stock	2,011,750	1,928,161
Effect of contingently issuable restricted stock	102,500	—
Effect of contingently issuable stock options	123,750	—
Weighted average number of common shares and potential common shares outstanding	2,238,000	1,928,161
Basic income (loss) per common share	$ 0.32	$ (0.09)
Diluted income (loss) per common share	$ 0.29	$ (0.09)

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

The Company's financial instruments include cash, notes and accounts receivable, prepaid expenses, accounts payable and accrued liabilities and notes and interest 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 (except as disclosed below) and, as of June 30, 2011 and December 31, 2010, did not have any assets or liabilities that were measured at fair value on a nonrecurring basis except as described in the long-lived assets above.

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.

The Company's 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 June 30, 2011 and December 31, 2010:

	As of June 30, 2011				
			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	$ 1,090,047	$ 1,090,047	$ 1,090,047	$ —	$ —

	As of December 31, 2010				
			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	$ 12,204	$ 12,204	$ 12,204	$ —	$ —

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 six and twelve months ended June 30, 2011 and December 31, 2010, respectively) and includes the accumulated amount of noncontrolling interests as part of stockholders' equity ($100 at June 30, 2011 and December 31, 2010, 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.

Organization and Offering Costs

The Company's organization and offering costs were paid by the Company's Advisor, broker-dealer and their affiliates on the Company's behalf. These organization and offering costs included all expenses to be paid by us in connection with the Company's initial public offering, including but not limited to (i) legal, accounting, printing, mailing, and filing fees; (ii) charges of the escrow holder; (iii) reimbursement of the broker-dealer for amounts it may pay to reimburse the bona fide diligence expenses of other broker-dealers and registered investment advisors; (iv) reimbursement to the advisor for other costs in connection with preparing supplemental sales materials; (v) the cost of educational conferences held by us (including the travel, meal, and lodging costs of registered representatives of broker-dealers); and (vi) 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.

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, 2011. 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 is currently being taxed as a C Corporation.

The Company's effective tax rate was approximately 1.35% for the three and six month periods ended June 30, 2011 and the Company recorded an income tax expense of approximately $24,400. The Company's effective rate differs from the U.S. federal statutory rate primarily due to the deferred tax asset valuation position and state tax.

The Company periodically evaluates the likelihood of the realization of deferred tax assets, and adjusts the carrying amount of the deferred tax assets by the valuation allowance to the extent the future realization of the deferred tax assets is not judged to be more likely than not. The Company considered many factors when assessing the likelihood of future realization of the deferred tax assets, including any recent cumulative earnings experience by taxing jurisdictions, expectations of future taxable income or loss, the carryfoward periods available to the Company for tax reporting purposes and other relevant factors. At December 31, 2010, the Company had a federal net operating loss ("NOL") carry-forward of approximately $1,340,000 and a state NOL carry-forward of approximately $2,254,000.

As of June 30, 2011, based on the weight of available evidence, including cumulative losses in recent years, realization of deferred tax assets does not appear more likely than not. Therefore a full valuation allowance will continue to be applied against net deferred tax assets.

As December 31, 2010, the Company had not recorded any unrecognized tax benefit. The Company does not expect the unrecognized tax benefit will change significantly within the next 12 months. There have been no material changes to the unrecognized tax benefit during the six month period ended June 30, 2011.

Recently Issued Accounting Pronouncements

On May 12, 2011, the FASB issued Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU No. 2011-04"). ASU No. 2011-04 updated accounting guidance does not require additional fair value measurements, but rather, requires additional disclosures while providing further explanation for measuring fair value and converging with international accounting standards. The amendments are effective for public entities for interim and annual periods beginning after December 15, 2011, and should be applied prospectively. As this ASU amends only the disclosure requirements, the adoption of ASU No. 2011-04 is not expected to have a significant impact on the Company's financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not or are not believed by management to have a material impact on our present or future consolidated financial statements.

3. NOTE AND INTEREST RECEIVABLE

As of June 30, 2011 and December 31, 2010, the Company, through wholly owned subsidiaries, had invested in a real estate loan receivable as follows:

Loan Name Location of Related Property or Collateral	Date Acquired/ Originated	Property Type	Loan Type	Book Value as of June 30, 2011	Book Value as of December 31, 2010	Contractual Interest Rate	Annual Effective Interest Rate at June 30, 2011	Maturity Date as of June 30, 2011
Mesquite Venture I Mesquite, Nevada	9/30/2008	Vacant Land	Second deed of Trust	$ 691,211	$ 691,211	14.00%	19.00%	1/15/2011
Accrued interest				22,382	22,382			
Provision for loan loss				(356,796)	—			
				$ 356,797	$ 713,593			

The following summarizes the activity related to the real estate loan receivable for the six months ended June 30, 2011:

Real estate loans receivable — December 31, 2010	$ 713,593
Accrued interest	—
Provision for loan loss	(356,796)
Real estate loans receivable — June 30, 2011	$ 356,797

On September 30, 2008, the Company originated, through SPT Real Estate Finance, LLC, a real estate loan for an amount of $600,000. The borrower was Mesquite Venture I, LLC. All attorney and closing costs were paid by the borrower. The loan was a second position lien behind a $3,681,000 first position lien (the "Senior Loan"). The initial 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 $4,250,000 as of August 5, 2009. This loan is also secured by personal guarantees from four separate individuals.

The compensation received by the 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 the Advisor as of June 30, 2011 was $51,000.

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 was to be applied against accrued and unpaid interest. Interest would accrue on the outstanding principal balance at an annual rate of 14% and all accrued and unpaid interest and principal became due and payable in full at the new maturity date of May 15, 2010.

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 to East West Bank, including without limitation indebtedness under the Senior Loan. The NOD was filed due to Mesquite Venture I, LLC'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.

A default on the Company's secured note was triggered when Mesquite Venture I, LLC failed to make its $10,000 loan extension fee payment due on October 1, 2009. Mesquite Venture I, LLC subsequently failed to make its $10,000 loan extension fee payment due on January 1, 2010.

On December 24, 2009, PLQ Mesquite Investors, LLC, an entity controlled by one of the original guarantors of the Senior Loan, entered into a Mortgage Loan Sale Agreement whereby the holder of the Senior Loan, East West Bank, agreed to sell to PLQ Mesquite Investors, LLC, the $3,681,000 mortgage note together with all of East West Bank's interest in and to any of Mesquite Venture I, LLC's property held by East West Bank, all collateral and any guarantees obtained in connection with the $3,681,000 note. The purchase price paid by PLQ Mesquite Investors, LLC to East West Bank was $1,800,000.

On December 30, 2009, East West Bank officially assigned to PLQ Mesquite Investors, LLC, the Senior Loan. Mesquite Venture I, LLC cured its first lien position default upon the purchase by PLQ Mesquite Investors, LLC, of the Senior Loan as PLQ Mesquite Investors, LLC's manager, was also a guarantor on the Senior Loan.

Mesquite Venture I, LLC and the Company's Advisor agreed that if Mesquite Venture I, LLC paid (i) all past due payments required as outlined in the extension agreement, (ii) the April 1, 2010 payment of $10,000, and (iii) reimbursed SPT Real Estate Finance $10,000 for attorney's fees incurred due to Mesquite Venture I, LLC's failure to make timely payments as outlined in the extension agreement, SPT Real Estate Finance would consider Mesquite Venture I, LLC reinstated and would not pursue the guarantees from Mesquite Venture I, LLC and would no longer demand payment in full on their secured note. The total amount due from Mesquite Venture I, LLC was $40,000.

On March 4, 2010, Mesquite Venture I, LLC paid SPT Real Estate Finance the negotiated $40,000.

This note matured on May 15, 2010 and SPT Real Estate Finance, LLC did not receive payment in full as agreed to by Mesquite Venture I, LLC. Management began discussions with Mesquite Venture I, LLC regarding their matured $600,000 promissory note with SPT Real Estate Finance, LLC and on or about August 13, 2010, management and Mesquite Venture I, LLC documented and executed a reinstatement and modification agreement whereby management (i) granted an extension to Mesquite Venture I, LLC resulting in a new maturity date of January 15, 2011, (ii) agreed to waive extension fees relating to the modification, (iii) agreed the interest rate during the extension period would be 14%, (iv) added all accrued and unpaid interest through the date of the reinstatement and modification to the outstanding principal balance of the promissory note, (v) agreed during the extension period, Mesquite Venture I, LLC would make monthly payments of $5,000 towards accrued and unpaid interest, and (vi) agreed Mesquite Venture I, LLC would provide additional collateral, specifically fifty percent (50%) of one guarantors ownership position in Silvertip Resort Village, LLC, a limited liability company whose primary purpose is real estate investment and which currently owns an option on a hotel site in northern California.

As of December 31, 2010, Mesquite Venture I, LLC had failed to make its December 2010, $5,000 monthly payment towards accrued and unpaid interest as required under the reinstatement and modification agreement. Due to the failure by Mesquite Venture I, LLC to make its December 2010 monthly payment, Mesquite Venture I, LLC was in default under the terms of its reinstatement and modification agreement.

The secured note to Mesquite Venture I, LLC matured on January 15, 2011 and SPT Real Estate Finance, LLC did not receive payment in full as required by Mesquite Venture I, LLC. The Company sent a demand letter to the guarantors on the Mesquite loan on January 20, 2011 indicating that if payment was not received within 10 days the Company intended to immediately pursue collection. The due date on the demand letter passed without payment from Mesquite Venture I, LLC. Management began discussions with (i) Mesquite Venture I, LLC regarding their matured $600,000 promissory note with SPT Real Estate Finance, LLC, and (ii) Company legal counsel regarding options available to the Company regarding collection of the outstanding receivable.

On July 14, 2011, an entity controlled by one of the original guarantors of the secured note to Mesquite Ventures I, LLC, which entity owns a property known as the Silvertip Resort Village, was placed into bankruptcy by this original guarantor to avoid a pending foreclosure. Prior to the bankruptcy filing the Company was notified of the pending filing by this same original guarantor. On August 13, 2010, when management and Mesquite Venture I, LLC documented and executed a reinstatement and modification agreement, Mesquite Venture I, LLC provided additional collateral, specifically fifty percent (50%) of one guarantors ownership position in Silvertip Resort Village, LLC, a limited liability company whose primary purpose is real estate investment and which currently owns an option on the Silvertip Resort Village hotel site in northern California. The option agreement is held by an entity affiliated to Silvertip Resort Village, LLC. Management is in discussions with Company legal counsel regarding this recent bankruptcy filing and its impact on the Company's collection efforts on the Mesquite Ventures I, LLC secured note. See Note 9 for additional information.

Due to a condition of the reinstatement and modification agreement that provided that all accrued and unpaid interest through the date of the reinstatement and modification would be added to the outstanding principal balance of the promissory note, $48,866 of the $96,248 accrued interest receivable for the year ended December 31, 2010 was added to the principal balance of the secured real estate loan during the year ended December 31, 2010.

The Company recognized a loan loss provision of $356,796 during the six months ended June 30, 2011.

SPT Real Estate Finance, LLC had an outstanding interest receivable of $11,191 as of June 30, 2011 and $22,382 as of December 31, 2010.

See Note 9 for additional information.

4. REAL ESTATE INVESTMENTS

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 SPT-Lake Elsinore Holding Co., LLC as buyer and U.S. Bank National Association as seller.

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.

On August 31, 2010, SPT-Lake Elsinore Holding Co., LLC closed a secured loan from Cardinal Investment Properties – Underwood, L.P. The loan amount was $1,000,000 and was made pursuant to a loan agreement between SPT-Lake Elsinore Holding Co., LLC and Cardinal Investment Properties – Underwood, L.P. dated August 30, 2010. See note 5 for additional information.

Cardinal Investment Properties – Underwood, L.P. is not affiliated with the Company or any of its affiliates.

On May 10, 2011, SPT-Lake Elsinore Holding Co., LLC, as seller, sold the Underwood Project to CV Communities, LLC, a Delaware limited liability company, as buyer, 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 sale was made pursuant to a purchase and sale agreement and joint escrow instructions, dated March 10, 2011 (the "Sale Agreement"), as amended. The sales price was $4,500,000 in cash.

The Company's affiliated advisor, Shopoff Advisors, L.P., received a disposition fee equal to 3% of the contract purchase price, or $135,000, upon consummation of the transaction.

As of the six months ended June 30, 2011, SPT-Lake Elsinore Holding Co., LLC had incurred, in addition to the purchase price of $1,650,000, an additional $449,300 in capitalized project costs including the previously mentioned $49,500 acquisition fee and $135,000 disposition fee resulting in a gain on the sale of this asset of approximately $2,401,000.

The sale provided liquidity to the Company in addition to paying off an existing Company notes payable in the amount of $1,000,000, thereby reducing the Company's overall liabilities.

As of the six months ended June 30, 2011, the Company's affiliated Advisor, had been paid $83,149 in asset management fees since the acquisition of the Underwood Project.

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 SPT AZ Land Holdings, LLC as buyer and AZPro Developments, Inc., an Arizona corporation as seller. Thereafter, 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. would act as beneficiary, reducing the cash required to close from $3,000,000 to $1,000,000.

At our Desert Moon Estates project, tax-exempt bond financing is utilized to fund and manage portions of public infrastructure. The bonds were issued by the Watson Road Community Facility District (the "CFDs"), independent special-purpose units of city government, established and operating in accordance with Title 48, Chapter 4, Article 6, of the Arizona Statutes as amended. The bonds are serviced by special assessments levied on certain developable and developed property surrounding and including the Desert Moon Estates project, and the assessments constitute a liability against the developable and developed property and are intended to secure the CFDs' ability to meet bond servicing obligations. In accordance with generally accepted accounting principles we record and pay the assessments on parcels owned by the Company when such assessments are fixed and determinable. The assessments are not a liability of the Company or any other landowner within the CFDs but are obligations secured by the land. For the developable parcels Desert Moon Estate owns within the CFDs, the Company pays the assessments on a semi-annual basis until such parcels are sold. After a sale by the Company, the Company no longer pays the assessments on the parcels sold and any future assessments become the responsibility of the new owner and its successors in title until the bonds are paid in full.

On January 13, 2011, the Company received a Notice of Potential Sale of Real Estate for Delinquent Special Assessment (or "Notice") from the Watson Road Community Facilities District. This Notice was received when the Company failed to pay a required special assessment when due on December 1, 2010. On February 25, 2011, the Company received a Notice of Sale of Real Estate for Delinquent Special Assessment (or "Final Notice") from the Watson Road Community Facilities District. Management paid this past due special assessment on March 29, 2011 and the City of Buckeye subsequently informed management that the Desert Moon Estates project was in current status.

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

The Company's affiliated Advisor, received an acquisition fee equal to 3% of the contract purchase price, or $90,000, upon consummation of the transaction.

As of the six months ended June 30, 2011, the Company's affiliated advisor, Shopoff Advisors, L.P., had been paid $120,735 in asset management fees since the consummation of the transaction.

As of the six months ended June 30, 2011, SPT AZ Land Holdings., LLC had incurred, in addition to the purchase price of $3,000,000, an additional $1,362,647 in capitalized project costs comprised primarily of the previously mentioned acquisition fee, county and Community Facility District taxes and accrued interest on the secured promissory note to AZPro Development, Inc., and had recognized an impairment charge of $397,000.

See Note 9 for additional information.

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. 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 Investments, L.P. ("Springbrook"), which agreed to execute and deliver to SPT Real Estate Finance, LLC, grant deeds to the underlying real estate collateral for two loans originally made by Vineyard Bank (the "Vineyard Loans") that were acquired by SPT Real Estate Finance, LLC, in consideration for the discharge by SPT Real Estate Finance, LLC of all Springbrook's obligations under the Vineyard Loans. SPT Real Estate Finance, LLC took title to the underlying real estate collateral on September 4, 2009.

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

As of the six months ended June 30, 2011, the Company's affiliated Advisor, had been paid $95,553 in asset management fees since obtaining these properties from SPT Real Estate Finance, LLC.

As of the six months ended June 30, 2011, 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 $184,010 in capitalized project costs comprised primarily of county tax payments.

Tuscany Valley Properties

On November 5, 2009, SPT-Lake Elsinore Holding Co., LLC, 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.

SPT-Lake Elsinore Holding, Co., LLC subsequently deeded the 400 acres of unentitled and unimproved land located in the City of Chino Hills, California to SPT-Chino Hills, LLC, an entity 100% owned by the Operating Partnership.

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 L. P., a California limited partnership ("Seller"), whereby TSG Little Valley L.P. 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 $4,890,000.

The Tuscany Valley Purchase Agreement was subsequently amended by various agreements to postpone the closing date.

On September 3, 2009, the 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 SPT-Lake Elsinore Holding Co., LLC.

Also, 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 Seller, which amended the Tuscany Valley Purchase Agreement as follows: (a) SPT-Lake Elsinore Holding Co., LLC 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, SPT-Lake Elsinore Holding Co., LLC entered into a second amendment to purchase and sale agreement and joint escrow instructions with TSG Little Valley L.P. 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 ("Promissory Note") 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 (See Note 5).

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

On May 13, 2011, SPT-Lake Elsinore Holding Co., LLC, as seller, sold to Richland Communities Inc, a Florida corporation, as buyer, the Tuscany West portion of the larger Tuscany Valley properties (164 of 519 entitled but unimproved residential lots and 2 commercial lots), commonly referred to as tract 25473 located in the City of Lake Elsinore, California. The sale was made pursuant to a purchase and sale agreement and joint escrow instructions, dated March 23, 2011 (the "Sale Agreement"), as amended. The sales price was $1,800,000 in cash.

The Company's affiliated advisor, Shopoff Advisors, L.P., received a disposition fee equal to 3% of the contract purchase price, or $54,000, upon consummation of the transaction.

This sale provided liquidity to the Company which was used with other cash to pay outstanding Company liabilities including the pay off of an existing Company notes payable in the approximate principal amount of $1,908,000, thereby reducing the Company's overall liabilities.

As of the six months ended June 30, 2011, SPT-Lake Elsinore Holding Co., LLC had incurred on the Tuscany West portion of the larger Tuscany Valley properties, an allocated purchase price of $1,900,000 (a portion of the larger original purchase price of $9,600,000), an additional $256,517 in capitalized project costs (including Tuscany West's allocated portion of the previously mentioned $288,000 acquisition fee), and the $54,000 disposition fee, and recognized an impairment charge of $335,000 resulting in a loss on the sale of this asset of approximately $21,517.

As of the six months ended June 30, 2011, SPT-Lake Elsinore Holding Co., LLC had incurred on the remainder of the Tuscany Valley properties, an allocated purchase price of $7,700,000 (a portion of the larger original purchase price of $9,600,000), an additional $918,030 in capitalized project costs (including the remainder portion of the previously mentioned $288,000 acquisition fee), county taxes, appraisal expenses, and accrued interest on the secured promissory note to TSG Little Valley, L.P., and had recognized an impairment charge on a portion of the remaining Tuscany Valley properties of $268,000.

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 11,000 shares as of June 30, 2011, which represents approximately 0.55% of our total shares outstanding including 21,100 shares purchased by our sponsor and 71,250 vested restricted stock grants issued to our officers and directors.

TSG Little Valley L. P. is a shareholder of the Company with ownership of 14,900 shares as of June 30, 2011, which represents approximately 0.74% of the Company's total shares outstanding including 21,100 shares purchased by our sponsor and 71,250 vested restricted stock grants issued to our officers and directors.

As of the six months ended June 30, 2011, the Company's affiliated Advisor, had been paid $311,055 in asset management fees since the consummation of the transaction.

5. NOTE PAYABLE SECURED BY REAL ESTATE INVESTMENT

Desert Moon Estates Note Payable

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 accrued 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 were due quarterly in arrears on November 1, 2009, February 1, 2010 and May 1, 2010. On the original maturity date of this note, July 31, 2010, the entire outstanding principal balance and all unpaid interest on this note was to be due and payable in full. The 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 this 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.

On March 11, 2010, our affiliate SPT AZ Land Holdings, LLC, executed an extension on the existing $2,000,000 secured promissory note with AZPro Development Inc. An extension of the maturity date to July 31, 2011 was granted to SPT AZ Land Holdings, LLC by AZPro Development Inc. in exchange for a principal pay down of $500,000 on or before the original maturity date of July 31, 2010 and a two percent increase in the original interest rate beginning on the original maturity date of July 31, 2010. In addition to the principal pay down of $500,000 on or before the original maturity date of July 31, 2010, SPT AZ Land Holdings, LLC agreed to pay current, all project taxes including any special assessments. The $500,000 principal pay down date of July 31, 2010 was extended to August 31, 2010. SPT AZ Land Holdings, LLC paid the principal pay down of $500,000 on September 2, 2010.

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 six months ended June 30, 2011, SPT AZ Land Holdings, LLC recognized interest expense of $59,506 on the outstanding note balance and made interest payments totaling $44,712 to AZPro Developments, Inc.

As of June 30, 2011, the total outstanding principal balance related to this note was $1,500,000.

See Note 9 for additional information.

Tuscany Valley Properties Note Payable

As discussed in Note 4 and in connection with the closing of Tuscany Valley Properties, SPT-Lake Elsinore Holding Co. LLC executed a $2,900,000 all-inclusive promissory note and deed of trust in favor of TSG Little Valley, L.P.

The note accrued interest at a rate of twelve percent per annum, and had an initial maturity date in twelve months at which time all accrued and unpaid interest and principal were due in full. No payments were due during the term of the note. The 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 TSG Little Valley, L.P to 1st Centennial Bank (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 and had matured on February 1, 2009. The current payee under the Included Note is Multibank 2009-1 CRE Venture, LLC.

On March 5, 2010, our affiliate SPT-Lake Elsinore Holding Co., LLC, executed a one year extension on the existing $2,900,000 secured promissory note with TSG Little Valley, L.P. in exchange for a principal pay down of at least $500,000 on or before the original maturity date of November 6, 2010 and a two percent increase in the original interest rate beginning on the original maturity date of November 6, 2010. As of December 31, 2010, a principal pay down of $991,584 had been made on the TSG Little Valley, L.P. promissory note.

Should TSG Little Valley, L.P. 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 note. If Buyer fails to make any payment when required under the note, TSG Little Valley, L.P. has the option to immediately declare all sums due and owing under the note.

On November 10, 2010, the Company received a Notice of Default And Election To Sell Under Deed of Trust (or “Notice”) from First American Title Insurance Company. This Notice was received when TSG Little Valley, L.P. failed to pay the outstanding principal balance to Multibank 2009-1 CRE Venture, LLC, the current payee (“Lender”) under the Included Note. Prior to receiving this Notice, representatives of TSG Little Valley, L.P. had been in discussions and ongoing negotiations with Lender regarding the Included Note with the intent of renegotiating the terms of or reaching a settlement on the Included Note. These discussions and ongoing negotiations were unsuccessful and TSG Little Valley, L.P. and the Company received the Notice. The Company, when it purchased the Tuscany Valley Properties in November 2009, took ownership through a seller financed all-inclusive promissory note and deed of trust in favor of TSG Little Valley, L.P. that included the Lender note. The Company did not received a formal demand from TSG Little Valley, L.P. for payment to Lender. If TSG Little Valley, L.P. or the Company had failed to reach a resolution with Lender, the Company could have lost a portion of the Tuscany Valley Properties (approximately 163 of the 519 lots). Management was in discussions with TSG Little Valley, L.P. regarding the Notice and believed that a satisfactory resolution would be reached prior to the completion of the foreclosure process, which was a minimum of 120 days from Notice recordation, or November 5, 2010. After January 30, 2011, the Lender had the right to file a Notice of Sale.

On April 28, 2011, upon a request from TSG Little Valley, L.P., the Company made a $100,000 interest payment to TSG Little Valley, L.P.

On May 12, 2011, the Company paid all outstanding principal and interest due on the Tuscany Valley Properties note payable to TSG Little Valley, L.P. (to and including the Included Note), and in return for payment, a full release and reconveyance was executed by TSG Little Valley, L.P. and documentation was received from the Lender confirming payoff of the Included Note. The aggregate payment to TSG Little Valley, L.P. was $2,046,404 and consisted of $137,988 in accrued and unpaid interest and $1,908,416 in principal.

For the six months ended June 30, 2011, SPT-Lake Elsinore Holding Co., LLC recognized interest expense of $96,623, on the outstanding all-inclusive promissory note and made interest payments totaling $237,988 to TSG Little Valley, L.P.

As of June 30, 2011, the net outstanding balance related to this loan was $0.

Underwood Note Payable

As discussed in Note 1 and in Note 4, on August 31, 2010, SPT-Lake Elsinore Holding Co. LLC (“Borrower”), closed a secured loan from Cardinal Investment Properties – Underwood, L.P. (“Lender”). The Lender is not affiliated with the Company. The loan amount was $1,000,000 and was made pursuant to a loan agreement between Borrower and Lender dated August 30, 2010.

The loan bore interest at a rate of twelve percent per annum, and had a maturity date in twenty-four months at which time all accrued and unpaid interest and principal was due in full. A non-refundable interest payment equal to the first year’s interest for the loan was prepaid out of the Loan amount of the initial Loan funding in the amount of $120,000. Thereafter, interest was due and payable quarterly, commencing on the date that is six months after the one-year anniversary of the disbursement date. An initial loan fee of five percent of the Loan amount, or $50,000, was payable to Lender upon the earliest to occur of (i) full repayment of the loan, (ii) a default by the Borrower under the loan, or (iii) the first anniversary date of the Loan. Borrower could extend the loan for up to two additional periods of six months, provided (i) Borrower was not in default at the time of the extension, (ii) Borrower gave written notice to Lender of its intent to extend no less than ten days prior to the then-current maturity date, (iii) Borrower made payment to Lender of a two percent loan extension fee, based on the then-outstanding loan balance, and (iv) Borrower made payment to Lender of any unpaid interest accrued under the loan. Interest accruing under the loan during an extension period would be paid monthly in arrears.

The loan was secured by a deed of trust with assignment of rents in favor of Lender on property purchased by the Company on May 19, 2009. The Underwood property is comprised of five hundred forty-three unimproved residential lots in the City of Menifee, California. Borrower agreed to indemnify and hold harmless Lender from and against any and all indemnified costs directly or indirectly arising out of or resulting from any hazardous substance being present or released in, on or around, or potentially affecting, any part of the property securing the loan.

If Borrower failed to make any payment when required under the promissory note, Lender had the option to immediately declare all sums due and owing under the promissory note.

Borrower used the proceeds from this loan (i) to pay a delinquent special assessment from the Watson Road Community Facilities District, payable to the City of Buckeye in Arizona, in the approximate amount of $276,434, (ii) to make a $500,000 principal payment to AZPro Developments, Inc. as required under a secured promissory note in favor of AZPro Developments, Inc. This payment was originally due July 31, 2010 but was extended by one month to August 31, 2010, and (iii) for payment of other outstanding liabilities of the Company.

On May 10, 2011, SPT-Lake Elsinore Holding Co., LLC sold the Underwood Project to CV Communities, LLC, a Delaware limited liability company not affiliated with the Company. As a condition of this closing, all outstanding principal and interest and unpaid loan fees owed on the Underwood note payable were paid in full to Cardinal Investment Properties – Underwood, L.P. and in return for payment, a full release and reconveyance was executed by Cardinal Investment Properties – Underwood, L.P. The aggregate payment to Cardinal Investment Properties – Underwood, L.P. was $1,050,000.

For the six months ended June 30, 2011, SPT-Lake Elsinore Holding Co., LLC recognized interest expense of $80,000 on the outstanding note balance and reduced the previously mentioned pre-paid interest payment of $120,000 by $80,000 to reflect the interest payment to Lender. As of June 30, 2011, the pre-paid interest payment of $120,000 had been reduced to $0.

As of June 30, 2011, the net outstanding balance related to this loan was $0.

Future Minimum Principal Payments

Future minimum principal payments due on notes payable as of June 30, 2011 for the years ending on December 31 approximated the following:

2011	$	1,500,000
Thereafter		—
	$	1,500,000

6. STOCKHOLDERS' EQUITY

Common Stock

On August 29, 2007, 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. If 2,000,000 shares were sold, the offering price would then increase to $10.00 per share until an additional 18,100,000 shares of common stock were sold or the offering terminated. The offering terminated on August 29, 2010.

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 June 30, 2011 and December 31, 2010, the Company had sold and accepted 1,919,400 shares of its common stock for $18,234,300, all of which were sold during the Company's initial public offering. This amount excludes 21,100 shares issued to The Shopoff Group L.P. and 71,250 shares of vested restricted stock previously issued to certain officers and directors.

2007 Equity Incentive Plan

On August 29, 2008, the Company adopted the 2007 Equity Incentive Plan (the "Plan"). The Plan provides for grants of stock options, stock appreciation rights (SARs), restricted stock and performance shares (sometimes referred to individually or collectively as "Awards") to the Company's nonemployee directors, officers, employees, and consultants. Stock options may be either "incentive stock options," as defined in Section 422 of the Internal Revenue Code (ISOs), or nonqualified stock options (NQSOs).

The Plan reserves 1,655,000 shares for issuance and to serve as the underlying equity instrument of all Awards granted under the Plan. The Company registered such shares with the Securities and Exchange Commission following the commencement of the offering by filing Form S-8 on August 5, 2008. When Awards made under the plan expire, or are forfeited or cancelled, the underlying shares will become available for future Awards under the Plan. Shares awarded and delivered under the Plan may be authorized but unissued, or reacquired shares.

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. On August 29, 2010, 35,000 shares of restricted stock grants vested. On September 23, 2010, 1,250 shares of restricted stock grants vested. During the year ended December 31, 2009, 5,000 shares of restricted stock were forfeited, and 5,000 shares of restricted stock were subsequently reissued. The forfeiture and reissuance were the result of a departure of one of our directors and her subsequent replacement as director. As of June 30, 2011 and December 31, 2010, 102,500 shares of restricted stock remained unvested and outstanding.

The 71,250 vested restricted stock grants were recorded as credit of $712 to common stock for the par value of the vested restricted stock grants and $676,163 to additional paid-in capital in the accompanying consolidated balance sheets.

For the six months ended June 30, 2011, the Company recognized compensation expense of $172,188 comprised of accrued compensation expenses for restricted stock grants that have not yet vested but whose expense is being recognized over the service period. The unvested restricted stock grant service period related to the compensation expense of $172,188 ends August 29, 2011.

Stock Option Grants

The Company issues stock grants under its 2007 Equity Incentive Plan. 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 during the year ended December 31, 2010:

Expected volatility		75%
Expected term		6.8 yrs
Risk-free interest rate		1.95%
Dividend yield		—%
Weighted-average grant date fair value	$	6.34

For the six months ended June 30, 2011, the Company recognized compensation expense with respect to stock option grants of approximately $85,074, which was recorded as a credit to additional paid-in capital in the accompanying 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 six months ended June 30, 2011:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2010	123,750	$ 9.50	9.0
Granted	-	-	-
Outstanding at June 30, 2011	123,750	9.50	8.5
Exercisable at June 30, 2011	42,900	$ 9.50	8.4

Based on the stock price of $9.50 when the Company concluded its best-efforts initial public offering on August 29, 2010, at June 30, 2011, the aggregate intrinsic value of options outstanding at June 30, 2011 was zero.

Options outstanding that have vested and are expected to vest as of June 30, 2011 are as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years
Vested	42,900	$ 9.50	8.4
Expected to vest	80,850	9.50	8.6
Total	123,750	$ 9.50	8.5

7. OTHER RELATED PARTY TRANSACTIONS

The Company's Advisor and affiliated entities 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 would 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 were allowed to reimburse the Advisor up to 15% of the gross offering proceeds during the offering period, however the Advisor was required to repay us for any organizational and offering costs and expenses reimbursed to it by us that exceeded 12.34% of the gross offering proceeds within 60 days of the close of the month in which the offering terminated. The Advisory Agreement dated August 29, 2007 as amended, entered into between us, the Operating partnership and the Advisor, stated that the Advisor had 60 days from the end of the month in which the offering terminated to reimburse us for any organizational and offering expenses in excess of the 12.34% limit. The offering terminated on August 29, 2010 and as of that date, we had reimbursed the Advisor approximately $381,000 in excess of the 12.34% limit. Such reimbursement was due us on October 31, 2010. The $381,000 was recorded as due from related party with an offset to additional paid-in-capital in the accompanying consolidated balance sheets. As of June 30, 2011, we had received the approximately $381,000 due from the Advisor and affiliated entities.

As of June 30, 2011 and December 31, 2010, such costs and expenses approximated $5,286,000. Of the approximately $5,286,000 incurred by the Advisor and its affiliates, the Company has reimbursed them approximately $2,251,000. The $2,251,000 of reimbursed organizational and offering costs were netted against additional paid-in capital in the accompanying consolidated balance sheets.

On November 27, 2006, the Advisor contributed $100 for a 1% limited partnership interest in the Operating Partnership. Such investment is reflected as a non-controlling 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 for the initial public offering described above. Shopoff Securities, Inc. (which was formed in September 2006) did not receive any selling commissions in connection with the offering, but was 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 was not due and payable from the Sponsor to Shopoff Securities, Inc. until the completion of the offering and was contingent upon a determination by the Sponsor, in its sole and absolute discretion, that the payment of the fixed monthly marketing fee would 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 June 30, 2011, the offering had been completed and the Sponsor had completed its obligations to Shopoff Securities Inc., analyzing whether a payment to Shopoff Securities Inc. would exceed the total underwriting compensation permitted under the rules of the Financial Industry Regulatory Authority. The Sponsor determined that a reduced marketing fee payment to Shopoff Securities Inc. was appropriate in order for Shopoff Securities Inc. not to 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 "Advisory Agreement"). Under the terms of the Advisory 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 Advisory 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 Advisory 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 Advisory 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 Advisory Agreement.

For the six months ended June 30, 2011, the Company incurred $0 in acquisition and advisory fees earned by its Advisor.

For the six months ended June 30, 2011, the Company incurred $178,217 in asset management fees earned by its Advisor.

For the six months ended June 30, 2011, the Company incurred $189,000 in disposition fees earned by its Advisor.

8 COMMITMENTS AND CONTINGENCIES

FINRA Matter

During 2009, our Advisor advised us that FINRA examined Shopoff Securities, Inc.'s ("Shopoff Securities") records as part of its routine sales practice and financial/operational examination for the purpose of meeting applicable regulatory mandates and providing Shopoff Securities with an assessment as to its compliance with applicable securities rules and regulations. Shopoff Securities was the Company's broker-dealer for its public offering. On December 29, 2009, FINRA issued an examination report, which included certain cautionary items that did not need to be included in the Central Registration Depository (the securities industry online registration and licensing database) nor did they need to be reported on Shopoff Securities' Form BD or Form U4 (each, a Uniform Application for Broker-Dealer Registration used by broker-dealers to register and update their information with the SEC and FINRA, respectively). Additionally, the examination report included a referral of issues related to our offering to a separate examination. This separate examination is ongoing and as of November 21, 2011, neither the Company nor Shopoff Securities has received communication from FINRA regarding this separate examination. The Company does not know when the examination will be resolved or what, if any, actions FINRA may require the Company to take as part of that resolution. This examination could result in fines, penalties or administrative remedies or no actions asserted against the Company. Because the Company cannot at this time assess the outcome of such examination by FINRA, if any, we have not accrued any loss contingencies in accordance with GAAP.

Winchester Ranch (Pulte Home Project)

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. 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 of the Pulte Home Project of approximately $2,045,000.

The Pulte Home Project is 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, initiated binding arbitration in an effort to (1) 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, (2) require that certain remedial measures be taken to restore the site to a more marketable condition, and (3) for damages. Neither SPT SWRC, LLC nor Pulte Home has taken the position that their respective transfers of the project have released them from the obligation to make the Improvements, and the current owner, Khalda, has not failed to, or refused to conduct the Improvements required in the Reconveyance Agreement. A settlement has been reached that does not require any substantive action by SPT SWRC, LLC at this time; however, the issue of attorney fees currently is currently the subject of a pending arbitration. Meadow Vista and Newport are currently seeking approximately $115,000 in attorneys' fees and costs from SPT SWRC, LLC, and that claimed amount will likely increase somewhat as the dispute continues. In addition, Pulte Home may also seek indemnity from SPT SWRC for its attorneys' fees and costs, as well as any attorneys' fees and costs it pays to Meadow Vista and Newport, which are currently unknown, but most likely do not exceed $200,000 combined. For any amounts owed or paid by SPT SWRC, LLC, SPT SWRC, LLC may seek indemnity from Khalda. Overall, SPT SWRC, LLC cannot predict the determination of the attorneys' fees and costs in the arbitration, nor the indemnity claims by and against SPT SWRC, LLC.

Management has concluded that it is probable the Company will incur a loss related to the arbitration proceeding and the amount of the loss can be estimated. As a result of management's conclusion, the Company has recorded a legal settlement expense of $200,000 in the accompanying condensed consolidated statement of operations and a corresponding liability on the accompanying condensed consolidated balance sheets.

Wasson Canyon Project

On April 17, 2009, SPT-Lake Elsinore Holding Co., LLC closed on the acquisition of real property ("Wasson Canyon Project") pursuant to a Purchase Agreement, dated April 14, 2009, with MS Rialto Wasson Canyon CA, LLC, a Delaware limited liability company, an entity unaffiliated with the Company and its affiliates. The purchase price of the Wasson Canyon Project was $650,000. On December 8, 2009, SPT – Lake Elsinore Holding Co., LLC entered into a purchase and sale agreement to sell the Wasson Canyon Project to D. R. Horton Los Angeles Holding Company Inc., a California corporation, an entity unaffiliated with the Company and its affiliates. The contract sales price was $2,231,775 and the transaction closed escrow on February 3, 2010. The Company recognized a gain on sale of the Wasson Canyon Project of approximately $744,000.

When SPT – Lake Elsinore Holding Co., LLC originally acquired the Wasson Canyon Project on April 17, 2009, pursuant to the Purchase Agreement, SPT-Lake Elsinore Holding Co., LLC agreed to replace existing subdivision improvement agreements ("SIA's") 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. SPT – Lake Elsinore Holding Co., LLC subsequently finished processing bond reductions and completed the replacement of all bonds and SIA's originally posted by MS Rialto Wasson Canyon CA, LLC. In the process of satisfying its obligation to replace existing SIA's and bonds, SPT – Lake Elsinore Holding Co., LLC agreed to provide letters of credit to the surety underwriting the bonds to satisfy the surety's collateral requirement which was an amount equal to fifty percent (50%) of the bond amounts. As of June 30, 2011 SPT-Lake Elsinore Holding Co., had letters of credit in the amount of $80,845 that remain outstanding.

When D. R. Horton Los Angeles Holding Company Inc., a California corporation, an entity unaffiliated with the Company and its affiliates was sold the Wasson Canyon Project, D.R. Horton Los Angeles Holding Company Inc., did not assume SPT-Lake Elsinore Holding Co., LLC's obligation to replace existing SIA's and related bonds but did agree to reimburse SPT-Lake Elsinore Holding Co., LLC for the actual amount of premiums for the bonds incurred by SPT-Lake Elsinore Holding Co., LLC commencing on the later of (i) the date of the close of escrow and (ii) the date bond reductions are completed. D.R. Horton Los Angeles Holding Company Inc.'s obligation to reimburse SPT-Lake Elsinore Holding Co., LLC for the actual amount of the premiums will continue until D.R. Horton Los Angeles Holding Company Inc. has completed certain adjacent improvement obligations. D.R. Horton Los Angeles Holding Company Inc also agreed to assume the obligation for typical repair and replacement of the improvements immediately adjacent to the lots as required by the SIA's to the extent the improvements are damaged following the close of escrow. D.R. Horton Los Angeles Holding Company Inc also agreed to repair any damage to the improvements that are not immediately adjacent to the lots to the extent damage is caused by D.R. Horton Los Angeles Holding Company Inc or its agents, employees or contractors. To secure D.R. Horton Los Angeles Holding Company Inc obligations to timely complete the adjacent improvement obligations, D.R. Horton Los Angeles Holding Company Inc agreed to deliver to SPT-Lake Elsinore Holding Co., LLC a letter of credit in the amount of $102,000. If D.R. Horton Los Angeles Holding Company Inc defaults on its obligations to timely perform the adjacent improvement obligations, SPT-Lake Elsinore Holding Co., LLC has the right to draw on the letter of credit to complete the adjacent improvement obligations to the extent necessary to cause the bonds to be released.

It is unknown how long SPT-Lake Elsinore Holding Co., LLC will be required to maintain the letters of credit in the amount of $80,845 as reduction of these letters of credit is dependent on D.R. Horton Los Angeles Holding Company Inc. continued development of the Wasson Canyon Project and the County of Riverside, Transportation And Land Management Agency who will ultimately approve the elimination of the bonding requirement for the Wasson Canyon Project.

Economic Dependency

The Company is dependent on the Advisor and the broker-dealer for certain services that are essential to the Company, including the sale of the Company's shares of common stock available for issue; the identification, evaluation, negotiation, purchase, and disposition of properties and other investments; management of the daily operations of the Company's real estate portfolio; and other general and administrative responsibilities. In the event that these companies are unable to provide the respective services, the Company will be required to obtain such services from other sources.

Environmental

As an owner of real estate, the Company is subject to various environmental laws of federal, state and local governments. Compliance with existing environmental laws is not expected to have a material adverse effect on the Company's financial condition and results of operations.

Legal Matters

From time to time, the Company may be party to legal proceedings that arise in the ordinary course of its business. Except as described previously under Winchester Ranch, 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 was the subject of a binding arbitration proceeding as described above under "Winchester Ranch (Pulte Home Project)", however this proceeding resulted in a settlement which did not require any monetary or other obligations from the Company. This proceeding is still unresolved with regards to responsibility for payment of legal fees. The Company believes the binding arbitration proceeding will have no material adverse effect on its results of operations or financial condition.

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 its 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.

9. SUBSEQUENT EVENTS

Note and Interest Receivable

On July 14, 2011, an entity controlled by one of the original guarantors of the secured note to Mesquite Ventures I, LLC, which entity owns a property known as the Silvertip Resort Village, was placed into bankruptcy by this original guarantor to avoid a pending foreclosure. Prior to the bankruptcy filing the Company was notified of the pending filing by this same original guarantor. On August 13, 2010, when management and Mesquite Venture I, LLC documented and executed a reinstatement and modification agreement, Mesquite Venture I, LLC provided additional collateral, specifically fifty percent (50%) of one guarantors ownership position in Silvertip Resort Village, LLC, a limited liability company whose primary purpose is real estate investment and which currently owns an option on the Silvertip Resort Village hotel site in northern California. The option agreement is held by an entity affiliated to Silvertip Resort Village, LLC. Management is in discussions with Company legal counsel regarding this recent bankruptcy filing and its impact on the Company's collection efforts on the Mesquite Ventures I, LLC secured note.

On August 12, 2011, Company legal counsel filed suit against the guarantors of the Mesquite Ventures I, LLC secured note for collection of all outstanding principal, interest, and other expenses owed to the Company.

Desert Moon Estates Note Payable

On July 31, 2011, our affiliate SPT AZ Land Holdings, LLC, executed an additional extension on the existing $2,000,000 secured promissory note as previously amended with AZPro Development Inc. A one year extension of the maturity date was granted to SPT AZ Land Holdings, LLC by AZPro Development Inc. in exchange for a principal pay down of $300,000 on or before the current maturity date of July 31, 2011. In addition to the principal pay down of $300,000 on or before the current maturity date of July 31, 2011, SPT AZ Land Holdings, LLC agreed to pay current, all project taxes including any special assessments. All other terms of the secured promissory note as amended remained unchanged. Management made the principal payment of $300,000 on August 5, 2011.

2007 Equity Incentive Plan

On October 14, 2011, the Company filed post effective amendment number 1to form S-8 registration statement, filed for the purpose of terminating the registration statement and deregistering any unissued shares previously registered under the registration statement and issuable under the plan. No shares have been issued under the plan since August 2010.

Proposed Acquisition

On September 7, 2011, Shopoff Advisors ("Transferee"), on behalf of the Company, entered into an Agreement to Purchase and Sell Interest In Contract to Buy and Sell Real Estate (the "Agreement") with Steven F. Dallman ("Transferor") whereby Transferor agreed to sell to Transferee, a certain Contract to Buy and Sell Real Estate, dated June 14, 2011, as amended (the "Original Agreement"), and the escrow, between Transferor and Lundieck Investments, Ltd. This Agreement allows the Transferee to purchase a 47.9 acre parcel of land zoned commercial/retail and multi-family residential which currently permits 306 residential units and 25 acres of retail land in Parker Colorado. The purchase price for this property is $4,900,000 comprised of $1,650,000 paid to the Transferor and $3,250,000 to be paid to Lundieck Investments, Ltd. Close of escrow is scheduled for November 18, 2011.

The Company contemplates the use of joint venture partners to fund a majority of the cash required for this project, one such joint venture partner being an affiliated entity of the Transferee and our sponsor. Additionally, the Transferor has agreed to take, 61,100 shares of Company common stock at $9 per share, totaling $549,900, as part of the overall cash required to close this proposed acquisition.

As part of the Original Agreement, Lundieck Investments, Ltd agreed that a portion of its purchase price would be paid by the execution and delivery into escrow of (a) two first lien purchase money notes secured by two first lien deeds of trust ("Promissory Notes") in favor of Lundieck Investments, Ltd, as payee therein, in the aggregate principal amount of $2,600,000, and (b) two all-inclusive first lien deeds of trust executed by the Company in favor of Transferor, as beneficiary therein, securing the foregoing first lien purchase money notes.

On October 3, 2011, the Transferee deposited a non-refundable deposit of $200,000 into escrow as a condition of the Agreement.

On October 21, 2011, Transferor and Transferee executed a first amendment to the Agreement whose sole purpose was to extend the due diligence time frame for the Transferee.

On October 28, 2011, Transferor and Transferee executed a second amendment to the Agreement whose sole purpose was to provide that $1,100,100 of the purchase price would be paid by the Company's execution and delivery into escrow of (a) a second lien purchase money note secured by a second lien deed of trust ("Promissory Note") in favor of Transferor, as payee therein, in the principal amount of $1,100,100, and (b) an all-inclusive second lien deed of trust executed by the Company in favor of Transferor, as beneficiary therein, securing the foregoing second lien purchase money note.

On November 2, 2011, the Transferee deposited a second non-refundable deposit of $200,000 into escrow. This second non-refundable deposit of $200,000 was part of a larger non-refundable deposit of $450,000 required to be placed into escrow as a condition of the Agreement. The remaining portion of the $450,000 escrow deposit, or $250,000, was deposited into escrow by one of the Company's joint venture partners, an affiliated entity of the Transferee and our sponsor.

On November 2, 2011, Transferee transferred all of its right, title, and interest and obligations under the Agreement to SPT-Vantage Point, LLC, a Delaware limited liability company. Shopoff Partners, L.P., an affiliate of Shopoff Properties Trust, Inc. (the "Company"), is a member and the manger of SPT-Vantage Point, LLC.

No additional cash is required by the Company to close this transaction other than customary closing costs although at closing the Company will put into escrow, the 61,100 shares of Company common stock at $9 per share, totaling $549,900.

On November 18, 2011, SPT-Vantage Point, LLC closed on the acquisition of the 47.9 acre parcel of land zoned commercial/retail and multi-family residential which currently permits 306 residential units and 25 acres of retail land commonly known as "Vantage Point" located in Parker, Colorado.

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, 2011. On November 30, 2006, we filed a registration statement on Form S-11 (File No. 333-139042) under Section 856 (c) of the Internal Revenue Code 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 initial public offering. We sold the minimum offering of 1,700,000 shares on August 29, 2008, at $9.50 per share. Our offering terminated August 29, 2010. As of June 30, 2011, we had sold 1,919,400 shares of common stock for $18,234,300, excluding shares purchased by the Sponsor.

The Company, as a result of the closing of a proposed acquisition that occurred on November 5, 2009, utilized a substantial portion of its remaining liquidity as of September 30, 2009. This liquidity shortage continued during 2010, as the Company experienced a lower level of common stock sales than anticipated prior to the termination of its offering on August 29, 2010, a delay in the payoff of a secured mortgage note receivable, originally anticipated to be paid during 2010, and was unable to close joint ventures planned during 2010 which would have generated cash for operations and additional investments. Additionally, during 2010 the residential real estate market continued to experience distress and turbulence, including several of the markets in which the Company had made investments in residential land. This continued distress and turbulence during 2010 resulted in the Company recognizing in 2010, impairment charges on a portion of its real estate investments of which the Company believes a portion could be earned back when future real estate dispositions occur.

As a result of the Company’s delays in creating additional liquidity, in late 2010, the Company’s Advisor developed a plan to sell two of the Company’s real estate investments. This plan was designed to improve the Company’s liquidity position, eliminate two Company notes payable secured by real estate investments, and to capitalize on potential gains from a sale of these real estate investments.

Since late 2010 when the Company’s Advisor developed this plan to sell two of the Company’s real estate investments, the Company entered into two separate agreements to sell a portion of the Tuscany Valley Properties (the portion being sold is known as Tuscany West), and the Underwood Project, both of which closed escrow in the second quarter of 2011. The Company utilized the cash generated from these two real estate sales to retire a portion of the Company’s outstanding debt, pay outstanding accounts payable, and create a reserve for operations. The Company also anticipates having funds available for additional investments.

We have used the proceeds of our 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, although we feel that prices have found support in some of our target markets. We have seen pricing increase substantially from the lows of the past year or two, but opportunities continue to be available as properties make their way through the financial system and ultimately come to market. We are also seeing more opportunities to work with landowners under options or joint ventures and obtain entitlements in order to create long term shareholder value. 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 has been to be in a position to capitalize on these opportunities for capital appreciation.

Through June 30, 2011, we had purchased eight properties, sold one hundred percent of three properties and a portion of a fourth property of which were previously sold, one on March 20, 2009, one on February 3, 2010, one on May 10, 2011 and one on May 13, 2011, and had originated three secured real estate loans, two of which were previously 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 June 30, 2011. We have placed one property in escrow since June 30, 2011. See Note 9 of the notes to condensed consolidated financial statements for additional information.

A portion of the proceeds raised from our 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 raised 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.

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 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 necessarily indicative of those expected in future periods.

Through June 30, 2011, we have acquired eight properties and sold one hundred percent of three properties and a portion of a fourth 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 recognized a gain on the sale of approximately $2,045,000. 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. This property was subsequently sold on February 3, 2010 for $2,231,775 and the Company recognized a gain on the sale of approximately $744,000. 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. On August 31, 2010, we closed on a $1,000,000 loan secured by the third property purchased on May 19, 2009. This third property was subsequently sold on May 10, 2011 for $4,500,000 and the Company recognized a gain on the sale of approximately $2,401,000. As a condition of this sale the $1,000,000 loan originated on August 31, 2010 was paid in full. 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. The fifth and sixth properties were acquired on September 4, 2009 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 us of all of Springbrook's obligations under two secured promissory notes owned by the Company. The tax basis of the fifth property when acquired was $2,152,210 and tax basis of the sixth property when acquired was $472,436. The seventh and eighth properties were purchased on November 5, 2009 for an aggregate amount of $9,600,000, which included a seller note carry back of $2,900,000, and we incurred closing and related costs of approximately $320,000. As of June 30, 2011, the $2,900,000 seller note carry back has been paid in full and we have made principal pay downs totaling $500,000 on the $2,000,000 seller note carry back. A portion of the seventh and eighth properties, purchased on November 5, 2009 for an aggregate amount of $9,600,000 was subsequently sold on May 13, 2011 for $1,800,000 and the Company recognized a loss on the sale of approximately $22,000.

Through June 30, 2011, 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 no closing costs as all title, escrow and attorney fees were paid for by the borrower through escrow. As of June 30, 2011, from the $600,000 loan we have earned $201,593 in interest income, $22,382 of which is accrued interest receivable, $88,000 of which has been paid to us by the borrower, $91,211 which was added to the principal balance upon the reinstatement and modification of this loan in August 2010, 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 $33,000. 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 $31,207. As of June 30, 2011, since the conversion of the two separate loans aggregating $2,300,000 to real estate owned, we have paid the Advisor asset management fees of $95,553.

Revenues for the six months ended June 30, 2011 approximated $6,300,000. These revenues resulted from two sales of real estate.

Expenses for the six months ended June 30, 2011 were $5,655,185 including a tax provision of $24,422. These expenses consisted primarily of cost of sales of real estate, a loan loss provision, a legal settlement, professional fees, stock based compensation, insurance, dues and subscriptions, director compensation, asset management fees paid to our Advisor, and general and administrative expenses.

For the six months ended June 30, 2011, we had net income of $644,815 due primarily to revenues from two sales of real estate offset by cost of sales of real estate, a loan loss provision, stock based compensation, a legal settlement, operating expenses, consisting primarily of professional fees, insurance, director compensation, dues and subscriptions, asset management fees paid to our Advisor, general and administrative expenses, and a provision for income taxes

Comparison of Three months Ended June 30, 2011 to Three months Ended June 30, 2010

Total revenues. Total revenues increased by $6,275,272, or 25377.2% to $6,300,000 for the three months ended June 30, 2011 compared to $24,728 for the three months ended June 30, 2010. 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. Sale of real estate increased $6,300,000 or 100% to $6,300,000 for the three months ended June 30, 2011 compared to $0 for the three months ended June 30, 2010. The Company did not sell any real estate investments for the three months ended June 30, 2010 but did sell two real estate investments during the three months ended June 30, 2011. For the three months ended June 30, 2011 the Company sold 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 located in the City of Menifee, Riverside County California and 164 entitled but unimproved residential lots located in the City of Lake Elsinore, California.

Interest income, notes receivable. This caption represents revenues earned from the origination of secured real estate loans. Interest income, notes receivable decreased $24,728 or 100.0% to $0 for the three months ended June 30, 2011 compared to $24,728 for the three months ended June 30, 2010. The decrease was due to the Company concluding that a collectability issue existed for a note receivable that had matured and remained unpaid. Due to this collectability issue, the Company stopped accruing interest on this matured note receivable. For the three months ended June 30, 2010, the Company had accrued interest on this note receivable in accordance with the note agreement.

Total expenses. Total expenses increased by $3,974,947, or 700.8% to $4,542,118 for the three months ended June 30, 2011 compared to $567,171 for the three months ended June 30, 2010. The significant components of expense are discussed below.

Cost of sales of real estate. Cost of sale of real estate represents direct costs attributable to the investment in the goods sold by the Company. Cost of sales of real estate increased $3,789,104 or 2886.2% to $3,920,387 for the three months ended June 30, 2011 compared to $131,283 for the three months ended June 30, 2010. The Company sold two real estate investments during the three months ended June 30, 2011 compared to no sales of real estate investments during the three months ended June 30, 2010. For the three months ended June 30, 2011 the Company sold 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 located in the City of Menifee, Riverside County California and 164 entitled but unimproved residential lots located in the City of Lake Elsinore, California. For the three months ended June 30, 2010 the Company did not sell any real estate investments but did incur $131, 283 in cost of sale of real estate related to ongoing Company obligations related to a real estate investment which was sold on February 3, 2010.

Stock based compensation. This caption represents restricted stock grants, stock options, and other share based compensation authorized by the Company's board of directors. Stock based compensation increased by $16,149, or 14.4% to $128,631 for the three months ended June 30, 2011 compared to $112,482 for the three months ended June 30, 2010. The increase was due to the Company recognizing a larger overall amount of option expense in 2011 as compared to 2010; in 2011, the Company recognized option expense for options issued both in 2010 and in 2009 as compared to 2010 when the Company recognized option expense for options issued only in 2009.

Professional fees. Professional fees increased by $27,272, or 48.5% to $83,549 for the three months ended June 30, 2011 compared to $56,277 for the three months ended June 30, 2010. The increase was primarily due to (i) higher legal fees related to Company operations and required filings as compared to 2010, (ii) a higher amount of fees related to work performed by the Company's accountants in 2011 as compared to 2010, (iii) expenses in 2011 related to the Company's transfer agent not previously incurred by the Company; prior to the expiration of the offering in 2010, these same expenses were paid for by the Company's sponsor and not paid for by the Company, partially offset by (iv) a lower level of legal expenses related to the default of an existing note receivable originated on September 30, 2008 in 2011 as compared to 2010.

Insurance. Insurance decreased by $285, or 0.6% to $50,149 for the three months ended June 30, 2011 compared to $50,434 for the three months ended June 30, 2010.

Asset management fees. Asset management fees decreased by $7,774, or 8.2% to $86,742 for the three months ended June 30, 2011 compared to $94,516 for the three months ended June 30, 2010. The decrease was primarily due to (i) the Company having two less real estate investments in 2011 as compared to 2010; during the three months ended June 30, 2011 the Company sold two real estate investments that were owned during the three months ended June 30, 2010, (ii) a lower amount of asset management fees paid on one real estate investment during the three months ended June 30, 2011 as compared to 2010; asset management fees are paid on the outstanding book balance for the first year of ownership of a real estate investment and paid based on appraised value after the first year of ownership. During the three months ended June 30, 2010 one Company owned real estate investment had been held for less than one year and had asset management fees calculated on the outstanding book balance which was higher than the appraised value of the same real estate investment obtained after the real estate investment had been held for greater than one year. This lower appraisal resulted in a reduction of the asset management fees paid on this one real estate investment during the three months ended June 30, 2011 as compared to 2010.

General and administrative. General and administrative costs increased by $104,066, or 259.9% to $144,115 for the three months ended June 30, 2011 as compared to $40,049 for the three months ended June 30, 2010. The increase was primarily due to, (i) amortization expense related to legal fees and loan fees incurred on a new loan secured by an existing real estate investment that closed in August 2010; the Company did not incur any amortization expense prior to August 2010, (ii) interest expense on a new loan secured by an existing real estate investment that closed in August 2010.

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. Dues and subscriptions costs increased by $486 or 1.6% to $30,138 for the three months ended June 30, 2011 as compared to $29,652 for the three months ended June 30, 2010.

Director compensation. Director compensation remained unchanged for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. For both the three months ended June 30, 2011 and 2010, the Company incurred $50,875 in director compensation.

Due diligence costs related to properties not acquired. Due diligence costs related to properties not acquired increased $6,870 or 42.3% to $23,110 for the three months ended June 30, 2011 compared to $16,240 for the three months ended June 30, 2010. The increase was primarily related to the Company incurring a higher level of expenses related to the review of potential real estate investments in 2011 as compared to 2010.

Provision for income taxes. This caption represents the amount on the consolidated statement of operations that estimates the Company's total income tax liability for the year. We incurred $24,422 in provision for income taxes for the three months ended June 30, 2011 compared to $(14,637) for the three months ended June 30, 2010. The Company anticipates a tax liability for the year ended December 31, 2011 based on the sale of two assets designated as held for sale as of December 31, 2010 and as such recognized a provision for income taxes of $24,422 for the three months ended June 30, 2011. The Company's provision for income taxes which was originally projected in December 2009 for the calendar year ended December 31, 2009 was revised downwards resulting in a credit back to the Company due to a lower overall projected income tax exposure for the calendar year ended December 31, 2009. This credit was reflected during the three months ended June 30, 2010.

Comparison of Six months Ended June 30, 2011 to Six months Ended June 30, 2010

Total revenues. Total revenues increased by $4,022,775 or 176.7% to $6,300,000 for the six months ended June 30, 2011 compared to $2,277,225 for the six months ended June 30, 2010. 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. Sale of real estate increased $4,068,225 or 182.3% to $6,300,000 for the six months ended June 30, 2011 compared to $2,231,775 for the six months ended June 30, 2010. The Company sold two real estate investments during the six months ended June 30, 2011 compared to one real estate investment during the six months ended June 30, 2010. During the six months ended June 30, 2011 the Company sold 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 located in the City of Menifee, Riverside County California and 164 entitled but unimproved residential lots located in the City of Lake Elsinore, California. For the six months ended June 30, 2010 the Company sold 65 finished residential lots and 6 lettered lots located in the City of Lake Elsinore, Riverside County, California.

Interest income, notes receivable. This caption represents revenues earned from the origination of secured real estate loans. Interest income, notes receivable decreased $45,450 or 100.0% to $0 for the six months ended June 30, 2011 compared to $45,450 for the six months ended June 30, 2010. The decrease was due to the Company concluding that a collectability issue existed regarding a note receivable that had matured and remained unpaid. Due to this collectability issue, the Company stopped accruing interest on this matured note receivable. For the six months ended June 30, 2010, the Company had accrued interest on this note receivable in accordance with the note agreement.

Total expenses. Total expenses increased by $3,212,359 or 131.5% to $5,655,185 for the six months ended June 30, 2011 compared to $2,442,826 for the six months ended June 30, 2010. The significant components of expense are discussed below.

Cost of sales of real estate. Cost of sale of real estate represents direct costs attributable to the investment in the goods sold by the Company. Cost of sales of real estate increased $2,432,431 or 163.5% to $3,920,387 for the six months ended June 30, 2011 compared to $1,487,956 for the six months ended June 30, 2010. The Company sold two real estate investments during the six months ended June 30, 2011 compared to one real estate investment that was sold during the six months ended June 30, 2010. During the six months ended June 30, 2011 the Company sold 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 located in the City of Menifee, Riverside County California and 164 entitled but unimproved residential lots located in the City of Lake Elsinore, California. During the six months ended June 30, 2010 the Company sold 65 finished residential lots and 6 lettered lots located in the City of Lake Elsinore, Riverside County, California.

Loan loss provision. Loan loss provision increased $356,796, or 100%, to $356,796 for the six months ended June 30, 2011 compared to $0 for the six months ended June 30, 2010. Based on a review of a matured Company note receivable and the underlying collateral securing this note receivable, management concluded that this note receivable may not be fully collectible.

Legal settlement. This caption represents expenses incurred from the resolution of specific Company legal activities and are considered non-recurring or non-typical in nature. Legal settlement increased $200,000, or 100.0% to $200,000 for the six months ended June 30, 2011 compared to $0 for the six months ended June 30, 2010. Based on a recent ruling from an on-going arbitration matter, management concluded that it was probable the Company would incur a loss related to this arbitration proceeding and also concluded that the amount of the loss could be estimated. This legal settlement is a non-recurring expense for the Company.

Stock based compensation. This caption represents restricted stock grants, stock options, and other share based compensation authorized by the Company's board of directors. Stock based compensation increased by $32,298, or 14.4% to $257,262 for the six months ended June 30, 2011 compared to $224,964 for the six months ended June 30, 2010. The increase was due to the Company recognizing a larger overall amount of option expense in 2011 as compared to 2010; in 2011, the Company recognized option expense for options issued both in 2010 and in 2009 as compared to 2010 when the Company recognized option expense for options issued only in 2009.

Professional fees. Professional fees increased by $68,642, or 36.5% to $256,905 for the six months ended June 30, 2011 compared to $188,263 for the six months ended June 30, 2010. The increase was primarily due to (i) higher legal fees related to Company operations and required filings as compared to 2010, (ii) a higher level of legal expenses related to the default of an existing note receivable originated on September 30, 2008 as compared to 2010, (iii) expenses in 2011 related to the Company's transfer agent not previously incurred by the Company; prior to the expiration of the offering in 2010, these same expenses were paid for by the Company's sponsor and not paid for by the Company, partially offset by (iv) a lower amount of fees related to the Company's independent Sarbanes-Oxley consultant in 2011 as compared to 2010,and (v) a lower amount of fees related to the Company's accountants in 2011 as compared to 2010.

Insurance. Insurance increased by $870, or 0.9% to $101,738 for the six months ended June 30, 2011 compared to $100,868 for the six months ended June 30, 2010. The increase was primarily due to a slightly higher payment schedule in 2011 as compared to 2010 for the Company's primary and excess D&O premiums.

Asset management fees. Asset management fees decreased by $12,944, or 6.8% to $178,217 for the six months ended June 30, 2011 compared to $191,161 for the six months ended June 30, 2010. The decrease was primarily due to (i) the Company having one less real estate investment in 2011 as compared to 2010; during the six months ended June 30, 2010 the Company sold one real estate investment; (ii) the Company having two less real estate investments in 2011 as compared to 2010; during the three months ended June 30, 2011 the Company sold two real estate investments that were owned during the three months ended June 30, 2010, (iii) a lower amount of asset management fees paid on one real estate investment during the three months ended June 30, 2011 as compared to 2010; asset management fees are paid on the outstanding book balance for the first year of ownership of a real estate investment and paid based on appraised value after the first year of ownership. During the three months ended June 30, 2010 one Company owned real estate investment had been held for less than one year and had asset management fees calculated on the outstanding book balance which was higher than the appraised value of the same real estate investment obtained after the real estate investment had been held for greater than one year. This lower appraisal resulted in a reduction of the asset management fees paid on this one real estate investment during the three months ended June 30, 2011 as compared to 2010.

General and administrative. General and administrative costs increased by $136,147, or 193.3% to $206,595 for the six months ended June 30, 2011 as compared to $70,448 for the six months ended June 30, 2010. The increase was primarily due to, (i) amortization expense related to legal fees and loan fees incurred on a new loan secured by an existing real estate investment that closed in August 2010; the Company did not incur any amortization expense prior to August 2010, (ii) interest expense on a new loan secured by an existing real estate investment that closed in August 2010.

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. Dues and subscriptions costs decreased by $20,771 or 35.0% to $38,503 for the six months ended June 30, 2011 as compared to $59,274 for the six months ended June 30, 2010. The decrease was primarily due to the Company renegotiating a material membership during the year ended December 31, 2010 resulting in a lower level of expense in 2011 as compared to 2010.

Director compensation. Director compensation decreased by $4,500, or 4.7% to $91,250 for the six months ended June 30, 2011 compared to $95,750 for the six months ended June 30, 2010. The decrease was primarily due to (i) the Company holding fewer board and committee meetings in 2011 as compared to 2010.

Due diligence costs related to properties not acquired. Due diligence costs related to properties not acquired decreased $15,669 or 40.4% to $23,110 for the six months ended June 30, 2011 compared to $38,779 for the six months ended June 30, 2010. The decrease was primarily related to the Company not incurring as high a level of expenses related to the review of potential real estate investments in 2011 as compared to 2010.

Provision for income taxes. This caption represents the amount on the consolidated statement of operations that estimates the Company's total income tax liability for the year. We incurred $24,422 in provision for income taxes for the six months ended June 30, 2011 compared to $(14,637) for the six months ended June 30, 2010. The Company anticipates a tax liability for the year ended December 31, 2011 based on the sale of two assets designated as held for sale as of December 31, 2010 and as such recognized a provision for income taxes of $24,422 for the six months ended June 30, 2011. The Company's provision for income taxes which was originally projected in December 2009 for the calendar year ended December 31, 2009 was revised downwards resulting in a credit back to the Company due to a lower overall projected income tax exposure for the calendar year ended December 31, 2009. This credit was reflected during the three months ended June 30, 2010.

Recent Market Developments

The United States recently faced a severe economic crisis including a major recession from which it is slowly recovering. Business activity across a wide range of industries and regions remains reduced and local governments and many businesses have experienced financial difficulty. Unemployment levels remain elevated. These conditions have had and will likely continue to have a negative impact on the price of real estate in most regions in the U.S. and the terms and availability of credit.

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 included all expenses to be paid by us in connection with the Company's public offering, including but not limited to (i) legal, accounting, printing, mailing, and filing fees; (ii) charges of the escrow holder; (iii) reimbursement of the broker-dealer for amounts it may pay to reimburse the bona fide diligence expenses of other broker-dealers and registered investment advisors; (iv) reimbursement to the advisor for other costs in connection with preparing supplemental sales materials; (v) the cost of educational conferences held by us (including the travel, meal, and lodging costs of registered representatives of broker-dealers); and (vi) 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 were 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 was 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 incurred on our behalf organization and offering costs of $5.29 million through June 30, 2011. Such costs were only a liability to us to the extent the organization and offering costs did not exceed 12.34% of the gross proceeds of the offering. From commencement of our initial public offering through its termination on August 29, 2010, we sold 1,919,400 shares for gross offering proceeds of $18.23 million, excluding shares purchased by the Sponsor and excluding vested restricted stock grants issued to certain officers and directors, and recorded organization and offering costs of $2.63 million.

From the 1,919,400 shares sold, excluding shares purchased by the Sponsor and excluding vested restricted stock grants issued to certain officers and directors, we reimbursed in excess to the Advisor and its affiliates, approximately $381,000 which represents the amount of organizational and offering expenses over the 12.34% limit that were reimbursed to the Advisor during the offering period which terminated August 29, 2010. The Advisory Agreement dated August 29, 2007 as amended, entered into between us, the Operating partnership and the Advisor, states that the Advisor has 60 days from the end of the month in which the offering terminates to reimburse us for any organizational and offering expenses in excess of the 12.34% limit. The Advisor and its affiliates owed us approximately $381,000 on or before October 31, 2010.

During the three months ended June 30, 2011, we received from the Advisor and affiliated entities, approximately $93,390 which represented the remaining amount of organizational and offering expenses in excess of the 12.34% limit that were reimbursed to the Advisor during the offering period which terminated August 29, 2010. The Advisor originally owed the Company approximately $381,000 of which $288,000 had previously been paid. The Advisor is no longer in breach of contract with the Company with regards to the balance due.

Liquidity and Capital Resources

We broke escrow on our 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 subsequently sold on March 20, 2009 for $5,000,000. Our 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 ended August 29, 2010. As of June 30, 2011, we had sold and accepted 1,919,400 shares of our common stock for $18,234,300 not including shares issued to the Sponsor and excluding vested restricted stock grants issued to certain officers and directors.

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 six months ended June 30, 2011.

As a result of limited Company liquidity and significant Company liabilities, and as discussed further in Note 1 of the notes to condensed consolidated financial statements, the Company negotiated an extension on an existing secured promissory note with an outstanding principal balance of $1,500,000 (see Note 9 of the notes to condensed consolidated financial statements). Management believes that it will be able to raise additional funds for the Company through one or more potential sources including re-capitalization via a co-investment joint venture relationship, the sale of other assets currently owned by the Company and or securing appropriate longer-term debt.

As of June 30, 2011, our liabilities totaled $2,057,713 and consisted of accounts payable and accrued liabilities, due to related parties, income taxes payable, interest on notes payable, and notes payable secured by Company assets. Of the $2,057,713 in total liabilities, $2,057,713 are short term and $0 are long term. We do not currently have sufficient liquidity to meet our short term liability obligations as disclosed; however, management believes that liquidity can be obtained through (i) sales of other Company assets, (ii) lending sources for land assets although the cost of such funds could be prohibitive in nature, and (iii) a recapitalization of us whereby a third-party capital source would take partial ownership of existing Company assets in a joint venture arrangement in exchange for cash as discussions have occurred with several real estate private equity firms who have indicated interest in taking a partial ownership position with existing Company assets. As a result of (i), (ii), and (iii) above, we believe we will have sufficient funds for the operation of the Company for the foreseeable future. If (i), (ii), and (iii) discussed above do not happen, we may need to consider alternative solutions or we may need to cease operations.

Cash Flows

The following is a comparison of the main components of our statements of cash flows for the six months ended June 30, 2011 to the six months ended June 30, 2010:

Cash From Operating Activities

As of June 30, 2011, we owned five real estate investments, none of which generates recurring income, and owned one real estate-related investment. Net cash used in operating activities for the six months ended June 30, 2011 was $1,156,847 compared to $438,336 that was used in operating activities for the six months ended June 30, 2010. Net cash used in operating activities increased in 2011 primarily as a result of (i) in 2011 the Company sold two real estate investments; in 2010 the Company sold one real estate investment, (ii) a decrease in overall Company liabilities in 2011 compared to 2010, and (iii) a decrease in overall Company receivables in 2011 compared to 2010.

Cash From Investing Activities

Net cash provided by investing activities for the six months ended June 30, 2011 was $5,172,318 compared to $1,265,453 that was provided by investing activities for the six months ended June 30, 2010. Net cash provided by investing activities increased primarily as a result of (i) in 2011 the Company sold two real estate investments; in 2010 the Company sold one real estate investment, offset by (ii) in 2011 the Company make a real estate deposit on a potential new acquisition; in 2010 the Company did not make any real estate deposits on potential new acquisitions.

Cash From Financing Activities

Net cash used in financing activities for the six months ended June 30, 2011 was $2,908,416 compared to $866,220 that was used in financing activities for the six months ended June 30, 2010. Net cash used in financing activities increased primarily as a result of (i) the Company made principal repayments on two secured notes payable in 2011, repaying both notes in full; in 2010 partial principal repayments were required in order to secure extensions on secured notes payable, (ii) the Company did not receive proceeds from the sale of common stock sold to subscribers in 2011; the offering closed August 29, 2010; in 2010 the Company received proceeds from the sale of common stock to subscribers, and (iii) the Company did not use restricted cash to secure letters of credit which were in turn used to secure bonds on a Company owned real estate investment in 2011; in 2010 the Company used restricted cash to secure letters of credit which were in turn used to secure bonds on a Company owed real estate investment.

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. 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.

As of June 30, 2011, we have raised $18,434,750 in common stock sales including shares purchased by our Sponsor and have invested a majority of this cash in Company assets and operations, significantly reducing funds for future operating and administrative expenses and existing and future debt service obligations. Management is aware that in addition to the global and regional economic crisis affecting real estate in general, our current lack of liquidity can 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 or be able to generate adequate cash from other non-offering sources such as (i) sales of Company assets, (ii) securing appropriate longer-term debt, or (iii) funding via joint venture relationships with real estate private equity firms and hedge funds that have an interest in our investment space, 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 required or 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. Although we have identified potential non-conventional lending sources, discussions are in the preliminary stage only and there is no assurance that an agreement for financing will be reached. We have also 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 June 30, 2011. 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. Although a change in the REIT tax code related to safe harbor rules has been adopted reducing the safe harbor from four to two years, we have not changed our business strategy which is market driven. We will consider making a distribution to shareholders upon an asset sale but may choose instead to reinvest the proceeds rather than making a distribution. Our stockholders should have the expectation that no substantial income will be generated from our operations for some time.

The Advisory Agreement

The Advisor is responsible for overseeing the day to day operations of us and has the authority to carry out all our objectives and purposes. The Advisor has a fiduciary responsibility to us and to our stockholders in carrying out its duties under this Advisory Agreement. In providing advice and services hereunder, 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 us to make such investments as would cause us to become an "Investment Company," as that term is defined in the Investment Company Act of 1940.

Our board of directors has the right to revoke the Advisor's authority at any time. We shall pay the Advisor the following fees:

Acquisition and Advisory Fees: 3% of, (i) with respect to any real estate asset acquired by us directly or indirectly other than a real estate related investment, the contract purchase price of the underlying property, and (ii) with respect to any real estate related investment acquired by us directly or indirectly, the contract purchase price of the underlying property.

For the six months ended June 30, 2011 and June 30, 2010, the Company incurred $0 in acquisition and advisory fees earned by its Advisor.

Debt Financing Fee: 1% of amount available under any loan or line of credit made available to us.

Asset Management Fees: a monthly payment in an amount 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 us, 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 us, 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 us, 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 us for the purchase of the real estate-related investment.

For the six months ended June 30, 2011, the Company incurred $178,217 in asset management fees earned by its Advisor. For the six months ended June 30, 2010, the Company incurred $191,161 in asset management fees earned by its Advisor.

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 purchase 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 of such real estate-related investments. A disposition fee payable under this section 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 us 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. We will pay the disposition fees for a property at the time the property is sold.

For the six months ended June 30, 2011, the Company incurred $189,000 in disposition fees earned by its Advisor. For the six months ended June 30, 2010, the Company incurred $66,953 in disposition fees earned by its Advisor.

Subordinated Participation in Distributable Cash: 50% of remaining amounts of Distributable Cash after return of capital plus payment to stockholders of a 10% annual, cumulative, non-compounded return on capital. The Subordinated Participation in Distributable Cash shall be payable to the Advisor at the time or times that the Company determines that the Subordinated Participation in Distributable Cash has been earned by the Advisor.

Subordinated Incentive Fee Due Upon Listing: 50% of the amount by which the market value of our common stock exceeds the aggregate capital contributed by stockholders plus payment to stockholders of a 10% annual, cumulative, non-compounded return on capital. Upon Listing, the Advisor shall be entitled to the Subordinated Incentive Fee Upon Listing. The Subordinated Incentive Fee Due Upon Listing shall be payable to the Advisor following twelve (12) months after Listing. We shall have the option to pay such fee in the form of cash, common stock, a promissory note with interest accrued as of the date of Listing, or any combination of the foregoing, as determined by the board of directors. In the event the Subordinated Incentive Fee Due Upon Listing is paid to the Advisor following Listing, the Advisor will not be entitled to receive any payments of Subordinated Performance Fee Upon Termination or Subordinated Participation in Distributable Cash following receipt of the Subordinated Incentive Fee Due Upon Listing.

Subordinated Performance Fee Due Upon Termination: a performance fee of 50% of the amount by which the greater of the market value of our outstanding common stock or real estate at the time of termination, plus total distributions paid to our stockholders, exceeds the aggregate capital contributed by stockholders plus payment to investors of a 10% annual, cumulative, non-compounded return on capital. Upon termination of this Advisory Agreement, the Advisor shall be entitled to the Subordinated Performance Fee Due Upon Termination.

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, although we feel that prices have found support in some of our target markets. We have seen pricing increase substantially from the lows of the past year or two, but opportunities continue to be available as properties make their way through the financial system and ultimately come to market. We are also seeing more opportunities to work with landowners under options or joint ventures and obtain entitlements in order to create long term shareholder value. 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 has been 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 non-affiliated 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 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. We anticipate that our critical accounting policies will include those which are described immediately below.

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. Additionally, SPT Real Estate Finance, LLC, SPT-SWRC, LLC, SPT-Lake Elsinore Holding Co., LLC, SPT AZ Land Holdings, LLC, SPT – Chino Hills, LLC and Shopoff TRS, Inc. are also 100% owned by the Operating Partnership and therefore their accounts are consolidated in the Company's financial statements as of and for the six month period ended June 30, 2011 and for the year ended December 31, 2010.

All intercompany accounts and transactions are eliminated in consolidation.

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.

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 effective 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 consolidated financial statements.

Cost of Real Estate Assets Not Held for Sale

Real estate assets principally consist of wholly-owned undeveloped real estate for which we 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.

As of December 31, 2010, two existing company investments known as the Underwood Project and the Tuscany West Project met the above criteria and as a result were presented as assets held for sale in the accompanying consolidated balance sheets as of December 31, 2010. These two existing company investments were subsequently sold in May 2011.

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 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.

The Company did not recognize impairment charges for the six months ended June 30, 2011. The Company recognized impairment charges in the aggregate amount of $1,000,000 on three real estate investments for the year ended December 31, 2010. These three existing Company investments are known as the Desert Moon Estates Project, the Tuscany West Project, and the Commercial Project (the Tuscany West Project and the Commercial Project being part of a larger original purchase known as the Tuscany Valley Properties). The Desert Moon Estates Project recognized an impairment charge of $397,000, the Tuscany West Project recognized an impairment charge of $335,000, and the Commercial Project recognized an impairment charge of $268,000.

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, notes and accounts receivable, prepaid expenses, accounts payable and accrued liabilities and notes and interest 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 of the notes to condensed consolidated financial statements.

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 (except as disclosed in Note 2 of the notes to condensed consolidated financial statements) and, as of June 30, 2011 and December 31, 2010, did not have any assets or liabilities that were measured at fair value on a nonrecurring basis except as described in the long-lived assets above.

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.

There was no loan loss provisions recorded for the three months ended June 30, 2011. The Company did recognize a loan loss provision of $356,796 during the three months ended March 31, 2011. This note receivable is known as Mesquite Venture I, LLC. See Note 3 and Note 9 in the accompanying condensed consolidated financial statements for additional information.

Organization and Offering Costs

The Company's organization and offering costs were paid by the Company's Advisor, broker-dealer and their affiliates on the Company's behalf. These organization and offering costs included all expenses to be paid by us in connection with the Company's initial public offering, including but not limited to (i) legal, accounting, printing, mailing, and filing fees; (ii) charges of the escrow holder; (iii) reimbursement of the broker-dealer for amounts it may pay to reimburse the bona fide diligence expenses of other broker-dealers and registered investment advisors; (iv) reimbursement to the advisor for other costs in connection with preparing supplemental sales materials; (v) the cost of educational conferences held by us (including the travel, meal, and lodging costs of registered representatives of broker-dealers); and (vi) 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.

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% 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, 2011. 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 is currently being taxed as a C Corporation.

The Company’s effective tax rate was approximately 1.35% for the three and six month periods ended June 30, 2011 and the Company recorded an income tax expense of approximately $24,400. The Company’s effective rate differs from the U.S. federal statutory rate primarily due to the deferred tax asset valuation position and state tax.

The Company periodically evaluates the likelihood of the realization of deferred tax assets, and adjusts the carrying amount of the deferred tax assets by the valuation allowance to the extent the future realization of the deferred tax assets is not judged to be more likely than not. The Company considered many factors when assessing the likelihood of future realization of the deferred tax assets, including any recent cumulative earnings experience by taxing jurisdictions, expectations of future taxable income or loss, the carryfoward periods available to the Company for tax reporting purposes and other relevant factors. At December 31, 2010, the Company had a federal net operating loss (“NOL”) carry-forward of approximately $1,340,000 and a state NOL carry-forward of approximately $2,254,000.

As of June 30, 2011, based on the weight of available evidence, including cumulative losses in recent years, realization of deferred tax assets does not appear more likely than not. Therefore a full valuation allowance will continue to be applied against net deferred tax assets.

As December 31, 2010, the Company had not recorded any unrecognized tax benefit. The Company does not expect the unrecognized tax benefit will change significantly within the next 12 months. There have been no material changes to the unrecognized tax benefit during the six month period ended June 30, 2011.

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 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 the six months ended June 30, 2011 and the twelve months ended December 31, 2010, respectively) and includes the accumulated amount of noncontrolling interests as part of stockholders’ equity ($100 at June 30, 2011 and December 31, 2010, 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.

Recently Issued Accounting Pronouncements

On May 12, 2011, the FASB issued Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU No. 2011-04"). ASU No. 2011-04 updated accounting guidance does not require additional fair value measurements, but rather, requires additional disclosures while providing further explanation for measuring fair value and converging with international accounting standards. The amendments are effective for public entities for interim and annual periods beginning after December 15, 2011, and should be applied prospectively. As this ASU amends only the disclosure requirements, the adoption of ASU No. 2011-04 is not expected to have a significant impact on the Company's financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not or are not believed by management to have a material impact on our present or future consolidated financial statements.

Subsequent Events

Note and Interest Receivable

On July 14, 2011, an entity controlled by one of the original guarantors of the secured note to Mesquite Ventures I, LLC, which entity owns a property known as the Silvertip Resort Village, was placed into bankruptcy by this original guarantor to avoid a pending foreclosure. Prior to the bankruptcy filing the Company was notified of the pending filing by this same original guarantor. On August 13, 2010, when management and Mesquite Venture I, LLC documented and executed a reinstatement and modification agreement, Mesquite Venture I, LLC provided additional collateral, specifically fifty percent (50%) of one guarantors ownership position in Silvertip Resort Village, LLC, a limited liability company whose primary purpose is real estate investment and which currently owns an option on the Silvertip Resort Village hotel site in northern California. The option agreement is held by an entity affiliated to Silvertip Resort Village, LLC. Management is in discussions with Company legal counsel regarding this recent bankruptcy filing and its impact on the Company's collection efforts on the Mesquite Ventures I, LLC secured note.

On August 12, 2011, Company legal counsel filed suit against the guarantors of the Mesquite Ventures I, LLC secured note for collection of all outstanding principal, interest, and other expenses owed to the Company.

Desert Moon Estates Note Payable

On July 31, 2011, our affiliate SPT AZ Land Holdings, LLC, executed an additional extension on the existing $2,000,000 secured promissory note as previously amended with AZPro Development Inc. A one year extension of the maturity date was granted to SPT AZ Land Holdings, LLC by AZPro Development Inc. in exchange for a principal pay down of $300,000 on or before the current maturity date of July 31, 2011. In addition to the principal pay down of $300,000 on or before the current maturity date of July 31, 2011, SPT AZ Land Holdings, LLC agreed to pay current, all project taxes including any special assessments. All other terms of the secured promissory note as amended remained unchanged. Management made the principal payment of $300,000 on August 5, 2011.

2007 Equity Incentive Plan

On October 14, 2011, the Company filed post effective amendment number 1to form S-8 registration statement, filed for the purpose of terminating the registration statement and deregistering any unissued shares previously registered under the registration statement and issuable under the plan. No shares have been issued under the plan since August 2010.

Proposed Acquisition

On September 7, 2011, Shopoff Advisors ("Transferee"), on behalf of the Company, entered into an Agreement to Purchase and Sell Interest In Contract to Buy and Sell Real Estate (the "Agreement") with Steven F. Dallman ("Transferor") whereby Transferor agreed to sell to Transferee, a certain Contract to Buy and Sell Real Estate, dated June 14, 2011, as amended (the "Original Agreement"), and the escrow, between Transferor and Lundieck Investments, Ltd. This Agreement allows the Transferee to purchase a 47.9 acre parcel of land zoned commercial/retail and multi-family residential which currently permits 306 residential units and 25 acres of retail land in Parker Colorado. The purchase price for this property is $4,900,000 comprised of $1,650,000 paid to the Transferor and $3,250,000 to be paid to Lundieck Investments, Ltd. Close of escrow is scheduled for November 18, 2011.

The Company contemplates the use of joint venture partners to fund a majority of the cash required for this project, one such joint venture partner being an affiliated entity of the Transferee and our sponsor. Additionally, the Transferor has agreed to take, 61,100 shares of Company common stock at $9 per share, totaling $549,900, as part of the overall cash required to close this proposed acquisition.

As part of the Original Agreement, Lundieck Investments, Ltd agreed that a portion of its purchase price would be paid by the execution and delivery into escrow of (a) two first lien purchase money notes secured by two first lien deeds of trust ("Promissory Notes") in favor of Lundieck Investments, Ltd, as payee therein, in the aggregate principal amount of $2,600,000, and (b) two all-inclusive first lien deeds of trust executed by the Company in favor of Transferor, as beneficiary therein, securing the foregoing first lien purchase money notes.

On October 3, 2011, the Transferee deposited a non-refundable deposit of $200,000 into escrow as a condition of the Agreement.

On October 21, 2011, Transferor and Transferee executed a first amendment to the Agreement whose sole purpose was to extend the due diligence time frame for the Transferee.

On October 28, 2011, Transferor and Transferee executed a second amendment to the Agreement whose sole purpose was to provide that $1,100,100 of the purchase price would be paid by the Company's execution and delivery into escrow of (a) a second lien purchase money note secured by a second lien deed of trust ("Promissory Note") in favor of Transferor, as payee therein, in the principal amount of $1,100,100, and (b) an all-inclusive second lien deed of trust executed by the Company in favor of Transferor, as beneficiary therein, securing the foregoing second lien purchase money note.

On November 2, 2011, the Transferee deposited a second non-refundable deposit of $200,000 into escrow. This second non-refundable deposit of $200,000 was part of a larger non-refundable deposit of $450,000 required to be placed into escrow as a condition of the Agreement. The remaining portion of the $450,000 escrow deposit, or $250,000, was deposited into escrow by one of the Company's joint venture partners, an affiliated entity of the Transferee and our sponsor.

On November 2, 2011, Transferee transferred all of its right, title, and interest and obligations under the Agreement to SPT-Vantage Point, LLC, a Delaware limited liability company. Shopoff Partners, L.P., an affiliate of Shopoff Properties Trust, Inc. (the “Company”), is a member and the manger of SPT-Vantage Point, LLC.

No additional cash is required by the Company to close this transaction other than customary closing costs although at closing the Company will put into escrow, the 61,100 shares of Company common stock at $9 per share, totaling $549,900.

On November 18, 2011, SPT-Vantage Point, LLC closed on the acquisition of the 47.9 acre parcel of land zoned commercial/retail and multi-family residential which currently permits 306 residential units and 25 acres of retail land commonly known as “Vantage Point” located in Parker, Colorado.

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 of the current 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 June 30, 2011, a 10% 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 4. Controls and Procedures

Disclosure 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 June 30, 2011. 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 June 30, 2011, our disclosure controls and procedures are effective.

There have been no significant changes in our internal controls over financial reporting during the quarter ended June 30, 2011 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

The Pulte Home Project is 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, initiated binding arbitration in an effort to (1) 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, (2) require that certain remedial measures be taken to restore the site to a more marketable condition, and (3) for damages. Neither SPT SWRC, LLC nor Pulte Home has taken the position that their respective transfers of the project have released them from the obligation to make the Improvements, and the current owner, Khalda, has not failed to, or refused to conduct the Improvements required in the Reconveyance Agreement. A settlement has been reached that does not require any substantive action by SPT SWRC, LLC at this time; however, the issue of attorney fees currently is currently the subject of a pending arbitration. Meadow Vista and Newport are currently seeking approximately $115,000 in attorneys' fees and costs from SPT SWRC, LLC, and that claimed amount will likely increase somewhat as the dispute continues. In addition, Pulte Home may also seek indemnity from SPT SWRC for its attorneys' fees and costs, as well as any attorneys' fees and costs it pays to Meadow Vista and Newport, which are currently unknown, but most likely do not exceed $200,000 combined. For any amounts owed or paid by SPT SWRC, LLC, SPT SWRC, LLC may seek indemnity from Khalda. Overall, SPT SWRC, LLC cannot predict the determination of the attorneys' fees and costs in the arbitration, nor the indemnity claims by and against SPT SWRC, LLC.

Management has concluded that it is probable the Company will incur a loss related to the arbitration proceeding and the amount of the loss can be estimated. As a result of management's conclusion, the Company has recorded a legal settlement expense of $200,000 in the accompanying condensed consolidated statement of operations and a corresponding liability on the accompanying condensed consolidated balance sheets.

Item 1A. Risk Factors

N/A

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.

Our offering terminated on August 29, 2010. We sold 1,919,400 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 $18,234,300. From this amount, we have incurred approximately $5,286,000 in organization and offering costs (of which approximately $2,251,000 has been recorded in our financial statements). As of June 30, 2011, we had net offering proceeds from the Offering of approximately $17,564,000 which includes shares purchased by our Sponsor that did result in additional cash proceeds to the Company, the vesting of restricted stock grants and stock options issued to certain executive officers and directors that did not result in additional cash proceeds to the Company, and the reimbursement from our Advisor of organizational and offering expenses which did result in additional cash proceeds to the Company. We have used the net offering proceeds to purchase our interests in eight properties, three of which have been one hundred percent sold and one of which has been partially sold, and to originate three loans, (two of which we have obtained the underlying real estate which served as collateral for the loans), to pay $594,000 in acquisition or origination fees, $405,953 in disposition fees, and $703,248 in asset management fees and to pay other operating expenses and fees. For more information regarding how we used the net proceeds (along with how we used cash from operating activities) for the six months ended June 30, 2011, 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. (Removed and Reserved)

Item 5. Other Information

None

Item 6. Exhibits

Exhibit 31.1: Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2: Certificate of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1: Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2: Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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 21, 2011	By: /s/ William A. Shopoff William A. Shopoff *Chief Executive Officer* *(Principal Executive Officer)*
Date November 21, 2011	By: /s/ Kevin M. Bridges Kevin M. Bridges *Chief Financial Officer,* *(Principal Financial Officer)*

EXHIBIT INDEX

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EXHIBIT 31.1

Certificate Pursuant to 18 U.S.C. Section 1350, As Adopted
Pursuant to Section 302 of the Sarbanes- Oxley Act of 2002

I, William A. Shopoff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shopoff Properties Trust, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial conditions, results of operation and cash flows of the Company as of, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Dated: November 21, 2011

/s/ William A. Shopoff
Name: William A. Shopoff
Title: Chief Executive Officer

EXHIBIT 31.2

Certificate Pursuant to 18 U.S.C. Section 1350, As Adopted
Pursuant to Section 302 of the Sarbanes- Oxley Act of 2002

I, Kevin M. Bridges, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shopoff Properties Trust, Inc. (the “Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial conditions, results of operation and cash flows of the Company as of, the periods presented in this report;

4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Dated: November 21, 2011

/s/ Kevin M. Bridges
Name: Kevin M. Bridges
Title: Chief Financial Officer

EXHIBIT 32.1

Certification Pursuant to
Exchange Act Rule 15d-14(b) and
18 U.S.C. Section 1350

In connection with the Quarterly Report of Shopoff Properties Trust, Inc. (the “Company”) on Form 10-Q for the period ending June 30, 2011, as filed with the Securities and Exchange Commission on the date hereof, I, William A. Shopoff, Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to Exchange Act Rule 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that:

i. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act 1934; and

ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Shopoff Properties Trust, Inc. and will be retained by Shopoff Properties Trust, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: November 21, 2011

/s/ William A. Shopoff
Name: William A. Shopoff
Title: Chief Executive Officer

EXHIBIT 32.2

Certification Pursuant to
Exchange Act Rule 15d-14(b) and
18 U.S.C. Section 1350

In connection with the Quarterly Report of Shopoff Properties Trust, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2011, as filed with the Securities and Exchange Commission on the date hereof, I, Kevin M. Bridges, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to Exchange Act Rule 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that:

i. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act 1934; and

ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Shopoff Properties Trust, Inc. and will be retained by Shopoff Properties Trust, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: November 21, 2011

/s/ Kevin M. Bridges
Name: Kevin M. Bridges
Title: Chief Financial Officer