

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

**FORM 8-K**

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): February 17, 2012

**Shopoff Properties Trust, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Maryland**

(State or Other Jurisdiction of Incorporation)

**333-139042**

(Commission File Number)

**20-5882165**

(IRS Employer Identification No.)

**2 Park Plaza Suite 700, Irvine, California**

(Address of Principal Executive Offices)

**92614**

(Zip Code)

**(877) 874-7348**

(Registrant's Telephone Number, Including Area Code)

**Not applicable**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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### **Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

On February 17, 2012, an affiliate of Shopoff Properties Trust, Inc. (the “Company”), SPT-Lake Elsinore Holding Co., LLC (“Borrower”), a Delaware limited liability company and wholly owned subsidiary of the Company’s affiliate, Shopoff Partners, L.P., closed a secured loan from Cardinal Investment Properties – Ramsgate, L.P. (“Lender”). The loan amount was \$800,000 and was made pursuant to a loan agreement between Borrower and Lender dated February 15, 2012 (the “Loan”).

The Loan bears interest at a rate of twelve percent per annum, and has a maturity date in twelve months at which time all accrued and unpaid interest and principal is due in full. Interest is due and payable quarterly, commencing on the date that is one month after the disbursement date and continuing thereafter. A service fee of five percent of the Loan amount, or \$40,000, was deemed earned upon the funding of the Loan and was paid to Lender at the time of the disbursement of funds to Borrower. Borrower may extend the Loan for up to one additional period of six months, provided (i) Borrower is not in default at the time of the extension, (ii) Borrower gives written notice to Lender of its intent to extend no less than ten days prior to the then-current maturity date, (iii) Borrower makes payment to Lender of a two percent Loan Extension Fee, based on the then-outstanding Loan balance, and (iv) Borrower makes payment to Lender of any unpaid interest accrued under the Loan. Interest accruing under the Loan during an extension period shall be paid monthly in arrears. The Loan may be prepaid in whole or in part without penalty before the maturity date. However, in no event shall the total cumulative interest payable with respect to the loan be less than \$72,000, regardless of when the loan is paid.

The Loan is secured by a deed of trust with assignment of rents in favor of Lender on the remaining property originally purchased by the Company on November 5, 2009, referred to as Tuscany Valley. The Tuscany Valley property is comprised of three hundred fifty-five entitled but unimproved residential lots and 2 commercial lots located in the City of Lake Elsinore, California. Borrower has 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.

The Loan is subject to a limited recourse guaranty in favor of Lender executed by William A. Shopoff, the Company’s President and Chief Executive Officer, as an individual guarantor.

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

Borrower plans to use 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 \$136,000 (ii) to make a \$70,000 settlement payment to attorneys representing claimants in an arbitration matter involving a prior property owned by an affiliated entity of the Company, (iii) for payment of certain other outstanding liabilities of the Company, and (iv) reserves for certain projected future Company liabilities.

The above description of the Loan is qualified in its entirety by the full text of the Loan Agreement, Promissory Note, Deed of Trust, Rider to the Deed of Trust, and the Security Agreement, each attached to this Current Report on Form 8-K and incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits.**

**(d) Exhibits**

Exhibit No.	Description
10.1	Loan Agreement, dated February 15, 2012, by and between SPT-Lake Elsinore Holding Co., LLC, a Delaware limited liability company, and Cardinal Investment Properties-Ramsgate, L.P., a California limited partnership.
10.2	Promissory Note Secured By Deed of Trust between SPT- Lake Elsinore Holding Co., LLC and Cardinal Investment Properties – Ramsgate, L.P. and dated February 15, 2012.
10.3	Deed of Trust with Assignment of Rents, dated February 15, 2012, by and among SPT-Lake Elsinore Holding Co., LLC, a Delaware limited liability company, as trustor, First American Title Insurance Company, a California corporation, as trustee, and Cardinal Investment Properties - Ramsgate, L.P., a California limited partnership, as beneficiary.
10.4	Rider to Deed of Trust with Assignment of Rents, dated February 15, 2012, by and among SPT-Lake Elsinore Holding Co., LLC, a Delaware limited liability company, as trustor, First American Title Insurance Company, a California corporation, as trustee, and Cardinal Investment Properties - Ramsgate, L.P., a California limited partnership, as beneficiary.
10.5	Security Agreement, dated February 15, 2012, by and between SPT-Lake Elsinore Holding Co., LLC, a Delaware limited liability company, and Cardinal Investment Properties-Ramsgate, L.P., a California limited partnership.

**SIGNATURE**

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

SHOPOFF PROPERTIES TRUST, INC.

Date: February 23, 2012

By: /s/ William A. Shopoff  
William A. Shopoff  
President, Chief Executive Officer and Chairman  
of the Board of Directors

## EXHIBIT INDEX

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LOAN AGREEMENT

This Loan Agreement (this “*Agreement*”) is dated for reference purposes as of February 15, 2012, and is entered into by and between **SPT-LAKE ELSINORE HOLDING CO., LLC**, (“*Borrower*”), and **CARDINAL INVESTMENT PROPERTIES-RAMSGATE, L.P.**, a California limited partnership (“*Lender*”), with reference to the following facts:

RECITALS

A. Borrower is the owner of that certain real property located in the County of Riverside, State of California, and more particularly described in Exhibit “A” attached hereto (the “*Property*”).

B. Borrower proposes to borrow from Lender the sum of Eight Hundred Thousand and No/100 Dollars (\$800,000.00) (the “*Loan*”).

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Loan / Use of Proceeds. Borrower hereby agrees to borrow from Lender, and Lender hereby agrees to lend to Borrower, the sum of Eight Hundred Thousand and No/100 Dollars (\$800,000.00) (the “*Loan*”) in accordance with the terms and conditions set forth in the Loan Documents [as that term is defined in Section 3(a) below].

2. Loan Term/Extensions. The initial term of the Loan shall commence on the date upon which Lender makes the deposit of loan funds into Escrow as provided in Section 3(b) below (the “*Disbursement Date*”) and continues thereafter to the first anniversary of the Disbursement Date (the “*Maturity Date*”); provided, however, that Borrower may, at Borrower’s option, extend the Maturity Date as provided in Section 2 of the Note (as that term is defined below). Borrower authorizes Lender to date the Note as of the Disbursement Date.

3. Conditions to Funding Loan. Lender shall be under no obligation to fund the Loan or any portion thereof unless and until each of the following conditions has been satisfied or waived in writing by Lender, in Lender’s sole discretion.

a. Execution of Loan Documents. Each of the following (which, in addition to this Agreement, are collectively referred to herein as the “*Loan Documents*”) shall have been fully executed by the parties thereto, as needed, and delivered to Lender:

(1) *Promissory Note Secured by Trust Deed* evidencing the Loan (the “*Note*”);

(2) *Deed Of Trust With Assignment of Rents* (with *Rider* attached) encumbering the Property and securing repayment of the Loan (the “*Trust Deed*”);

(3) *Security Agreement*;

(4) *UCC-1 Financing Statement* in favor of Lender as “Secured Creditor” (execution by Borrower is not required); and

(5) *Limited Recourse Guaranty* in favor of Lender executed by individual guarantor William A. Shopoff.

b. Close of Escrow. First American Title Insurance Company (“*Escrow Holder*”) has notified Lender that, upon the deposit by Lender of that portion of the Loan proceeds equal to Seven Hundred Sixty Thousand and No/100 Dollars (\$760,000.00) into Escrow for the benefit of Borrower, Escrow will be in position to close.

c. Issuance of Title Insurance. First American Title Insurance Company (the “*Title Company*”) has committed to issue to Lender at the closing of Escrow its ALTA Extended Coverage Loan Policy (2006) (the “*Title Policy*”) in the face amount of the Loan assuring that the Trust Deed, when recorded, will constitute a first lien against the Property, subject only to (i) applicable non-delinquent general and special real property taxes, and (ii) to those certain exceptions to title coverage described as items 19 through 30, in that certain Preliminary Report dated January 18, 2012, and issued by Title Company as Order No. NHSC-3943026(18) and such endorsements as Lender may require.

d. No Default. Borrower shall not be in default under the Loan Documents and no default exists by Borrower.

4. Pre-Payment/Minimum Interest. Borrower hereby acknowledges that the Loan may be prepaid in whole or in part without penalty before the Maturity Date. Borrower also hereby acknowledges that in no event shall the total cumulative interest payable with respect to the Loan be less than Seventy-Two and No/100 Dollars (\$72,000.00) (the “*Minimum Interest*”), regardless of when the Loan is repaid.

5. Costs. Borrower shall reimburse Lender, directly from Loan funds, for all third-party costs and fees incurred by Lender in making the Loan, including, but not limited to, Lender’s attorneys fees, title company charges and recording fees; provided that the maximum amount of such reimbursement for Lender’s attorneys fees shall be Ten Thousand and No/100 Dollars (\$10,000.00).

6. Authorization of Parties. Each party represents and warrants that (i) this Agreement has been duly and validly authorized, executed and delivered by such party, (ii) no other action is requisite to the valid and binding execution, delivery and performance of this Agreement by such party, and (iii) no consents or waivers of or by any third party are necessary to permit the consummation of the transactions contemplated pursuant to this Agreement by such party.

7. Loan Arranged by Broker. The parties acknowledge and agree that the Loan has been jointly arranged by R. Jeffrey Spindler, Park Place Partners Capital, Inc., a licensed California real estate broker (License No. 00775023) (the “*Broker*”).

8. Access to Records. Lender and Lender’s appointed representatives, upon forty-eight business hours notice, shall have access at reasonable hours to the books, records and financial statements of Borrower related to the Property.

9. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective legal representatives, successors and assigns.

10. Governing Law. The validity, interpretation and performance of this Agreement shall be controlled by and construed under the laws of the State of California.

11. Service Fee and Costs. Borrower hereby acknowledges that Borrower is obligated to pay a one-time Loan initiation, management and service charge in the amount of Forty Thousand and No/100 Dollars (\$40,000.00) (the “*Service Fee*”). The Service Fee shall be deemed earned upon the funding of the Loan, and shall be payable to Lender from Loan proceeds at the initial Loan funding.

12. Attorneys’ Fees. Should any dispute arise between the parties hereto or their legal representatives, successors and assigns concerning any provision of this Agreement or any of the Loan Documents,

or the rights and duties of any person in relation thereto, the party prevailing in such dispute shall be entitled, in addition to such other relief that may be granted, to a reasonable sum as and for their or his or its attorneys fees and legal costs in connection with such dispute.

13. Amendment. This Agreement may only be amended by the written consent of all of the parties to this Agreement at the time of such amendment.

14. Notices. Any notice to Lender under this Agreement shall be in writing and shall be considered given when delivered by personal service or three (3) business days after placement in the U.S. mails, certified or registered mail, postage prepaid, addressed to Lender: c/o Cardinal Development, 375 Bristol Street, Suite 50, Costa Mesa, California 92626, Attention: David J. Seidner, or such other address as Lender may designate by written notice to Borrower. Any notice to Borrower under this Note shall be in writing and shall be considered given three (3) business days after placement in the U.S. mails, certified or registered mail, postage prepaid, addressed to Borrower: c/o Shopoff Advisors, L.P., 2 Park Plaza, Irvine, California 92614, Attention William A. Shopoff, or such other address as Borrower may designate by written notice to Lender.

15. Counterparts/Facsimile Signature. This Agreement maybe executed in counterparts, each of which shall be deemed to be an original of this Agreement, but such counterparts, when taken together, shall constitute but one agreement. If this Agreement is so executed by one (1) or more parties in counterpart, the pages bearing the signatures of such parties may be transmitted to the other parties by way of facsimile, which transmission shall be deemed the same as delivered hereunder of original signatures.

16. Entire Agreement. This Agreement contains the entire agreement between the parties hereto and supersedes any prior or current written or oral agreement between said parties concerning the subject matter contained herein. There are no representations, agreements, arrangements or understandings, oral or written, between or among the parties hereto relating to the subject matter contained in this Agreement which have not been fully expressed herein, other than those set forth in the other Loan documents executed concurrently herewith..

17. Further Assurances. Each of the parties hereto hereby agrees to execute such further documents or instruments as may be necessary or appropriate to carry out the intention of this Agreement.

18. Unenforceable Provisions. In the event that any provision of this Agreement shall be unenforceable or inoperative as a matter of law, the remaining provisions shall remain in full force and effect.

[Balance of this page intentionally left blank]

IN WITNESS WHEREOF, Lender and Borrower have executed this Agreement as of the date first above written.

**LENDER:**

**CARDINAL INVESTMENT PROPERTIES – RAMSGATE, L.P.,**  
a California limited partnership

By: Cardinal Investment Properties,  
LLC, a  
California limited liability  
company,  
General Partner

By: /s/ David J. Seidner  
David J. Seidner, General  
Manager

**BORROWER:**

**SPT-LAKE ELSINORE HOLDING CO., LLC,**  
a Delaware limited liability company

By: Shopoff Partners, L.P., a  
Delaware  
limited partnership, sole member

By: Shopoff General Partner, LLC, a  
Delaware limited liability company,  
general partner

By: Shopoff Properties Trust, Inc.,  
a Maryland corporation, manager

By: /s/ William A. Shopoff  
William A. Shopoff, President and CEO



## PROMISSORY NOTE SECURED BY DEED OF TRUST

\$800,000.00

Irvine, California

February 15, 2012

FOR VALUE RECEIVED, the undersigned (the "**Borrower**"), promises to pay to the order of **CARDINAL INVESTMENT PROPERTIES – RAMSGATE, L.P.**, a California limited partnership (the "**Lender**"), or its assignee, at the address set forth below for Lender or such other place as may be designated from time to time in writing by Lender, the principal sum of Eight Hundred Thousand and No/100 Dollars (\$800,000.00) (the "**Loan Amount**"), or so much as may be advanced (including any additional advance of monies as may from time-to-time be made to Borrower by Lender) hereunder (the "**Loan**"), in lawful money of the United States of America, plus interest and other charges as provided herein.

1. Except as provided immediately below with regard to the "**Default Rate**" and the minimum interest payable in the event this Note is prepaid as provided in Section 3 below, interest on this Note shall accrue at a rate equal to Twelve Percent (12%) per annum, simple interest, commencing upon the date on which Lender disburses the Loan proceeds to Borrower (the "**Disbursement Date**"). Interest shall be due and payable quarterly, commencing on the date that is one (1) month after the Disbursement Date, and continuing thereafter until the entire principal balance under this Note has been paid. A fee of Five Percent (5%) of the Loan Amount, or Forty Thousand and No/100 Dollars (\$40,000.00) ("**Service Fee**"), shall be deemed earned upon the funding of the Loan and shall be paid at the Disbursement Date. In the event Borrower exercises its option to extend the Maturity Date (defined below) pursuant to Section 2 of this Note, interest shall be due and payable monthly, commencing on the date that is one (1) month after the one (1) year anniversary of the Disbursement Date, and continuing thereafter until the entire principal balance under this Note has been paid. During the pendency of any Event of Default (as hereinafter defined), the default interest rate (the "**Default Rate**") shall be equal to Seventeen Percent (17%) per annum, simple interest.

2. The entire Loan Amount, and all unpaid accrued interest under this Note, shall collectively be due and payable on the one (1) year anniversary of the Disbursement Date (the "**Maturity Date**"); provided, however, that (a) Borrower may, at Borrower's option, provided that the Loan is not in default at that time, extend the Maturity Date for up to one (1) additional period of six (6) months (the "**Loan Extension Period**") by giving written notice to Lender not less than ten (10) days prior to the then-current Maturity Date, which notice shall be accompanied by payment to Lender of: (i) a non-refundable sum in good funds equal to Two Percent (2%) of the then existing loan balance as of the first day of the Loan Extension Period (an "**Extension Payment**"), (ii) any unpaid interest accrued under the Loan from the Disbursement Date through the date upon which the Loan Extension Period commences, and (b) interest accruing under this Note during any Loan Extension Period shall be paid monthly in arrears on the first day of each month during the applicable Loan Extension Period.

3. This Note may be prepaid in whole or in part without penalty before the Maturity Date. Any such prepayment under this Note shall be applied (i) first to payment of the Extension Payment, if applicable, (ii) then to any unpaid third-party costs incurred by Lender with respect to the Loan as provided in Section 5 of the Loan Agreement, (iii) then to any accrued but unpaid interest under the Loan and (iv) last to the reduction of the outstanding principal balance hereunder. Notwithstanding the foregoing, in no event shall the total cumulative interest payable with respect to the Loan be less than Seventy-Two Thousand and No/100 Dollars (\$72,000.00) (the "**Minimum Interest**"), regardless of when the Loan is repaid. If the Loan is pre-paid, any portion of the Pre-Paid Interest that is unearned, over the Minimum Interest, will be credited against the remaining principal balance.

4. Time is of the essence of the performance of Borrower's obligations under this Note. An "**Event of Default**" is defined as Borrower's: (a) failure to pay the entire unpaid principal balance of (and all unpaid accrued interest on) this Note on or before the Maturity Date; or (b) failure to pay any other payment required hereunder by the delinquency date defined in Section 5, below; or (c) failure to comply with the "**Due on Sale/Encumbrance**" provision of the Trust Deed as described in Section 8, below; or (e) failure to cure any non-monetary event of default under the Trust Deed [other than as covered in (c) above] within the thirty (30) days next following written notice thereof from Lender to Borrower. Upon the occurrence of an Event of Default, the entire

unpaid principal balance of and all unpaid accrued interest on this Note shall become immediately due and payable at Holder's option and without further notice. Holder's failure to exercise such option, or any other remedy provided herein, shall not constitute a waiver of the right to do so upon the occurrence of any subsequent Event of Default.

5. Any payment required under this Note which is not received by Holder within ten (10) days of its due date hereunder (other than the full principal balance at maturity) shall be considered to be delinquent and Borrower shall pay to Holder on demand a late charge in the amount equal to three percent (3%) of the late payment. Borrower and Holder agree that the late charge is intended to be a reasonable approximation of the actual damages incurred by Lender as a result of such overdo payment, which damages the parties acknowledge are difficult to estimate. The imposition or collection of a late charge is in addition to and not in lieu of the increase of the rate of interest to the Default Rate or any other rights or remedies Holder may have as a result of the late payment.

6. If, upon the occurrence of an Event of Default, Holder consults with an attorney regarding the enforcement of any of its rights under this Note or the Trust Deed, or if this Note is placed in the hands of an attorney for collection, or if a lawsuit, litigation or other action is instituted to enforce this Note or Trust Deed, or if Borrower files for or is otherwise involved in a Bankruptcy which in any way affects the rights of Lender to enforce its rights under this Note, then in any such event, Borrower promises to pay all costs thereof, including reasonable attorneys' fees or costs of litigation. Such costs and attorneys' fees shall include, without limitation, those incurred on any appeal and in any proceeding under any present or future bankruptcy or similar act or state receivership.

7. Borrower acknowledges and agrees that the Loan has been arranged by R. Jeffrey Spindler, Park Place Partners Capital, Inc., a licensed California real estate broker (License No. 00775023) (the "**Broker**"). Broker has been retained by Lender, and Borrower has no responsibility for any fee or commission payable to said broker. Notwithstanding anything to the contrary set forth elsewhere herein, this Note is hereby expressly limited so that in no contingency or event whatsoever, whether by acceleration of maturity of the debt evidenced hereby or otherwise, shall the amount paid or agreed to be paid to Lender for the use, forbearance or detention of the money advanced or to be advanced under this Note exceed the highest lawful rate permissible under the laws of the State of California as applicable to Borrower. If, from any circumstances whatsoever, fulfillment of any provision hereof or of any other agreement, evidencing or securing the debt, at the time performance of such provisions shall be due, shall involve the payment of interest in excess of that authorized by law, the obligation to be fulfilled shall be reduced to the limit so authorized by law; and if from any circumstances, Lender shall ever receive as interest an amount which would exceed the highest lawful rate applicable to the Borrower, such amount would be excessive interest shall be applied to the reduction of the unpaid principal balance of the debt evidenced hereby and not to the payment of interest. In the event any such excess exceeds the then unpaid principal balance hereunder, such interest as is so in excess of the then unpaid balance hereunder shall be refunded to Borrower.

8. This Note is secured by, among other things, that certain Deed of Trust with Assignment of Rents (Long Form) with Rider attached of an even date herewith describing real property and other assets (the "**Collateral**") owned by Borrower and located in Riverside County, California (the "**Trust Deed**"). The Trust Deed provides in part:

Due on Sale/Encumbrance: Trustor shall not sell, transfer, assign, further encumber, hypothecate, or in any way dispose of or use as collateral for another loan or obligation of Trustor, the Property or any interest therein without first obtaining the prior written consent of Beneficiary, which consent may be granted, conditioned or withheld in the sole discretion of Beneficiary. Any violation of the restrictions set forth herein, whether by act, omission or by virtue of law, shall be considered a default in the performance of the obligations of Trustor under the Trust Deed and Beneficiary shall have the same rights with respect thereto as are provided to Beneficiary under the Trust Deed with respect to any default by Trustor in the payment of any indebtedness secured under the Trust Deed or in Trustor's performance of any agreement thereunder.

9. Borrower owns certain real property in addition to the Collateral, which real property is identified on Exhibit "A" attached hereto (the "**Borrower's Other Real Property**"). Notwithstanding anything to the

contrary herein, the Borrower's Other Real Property shall not be deemed to be part of the Collateral. In the event that Borrower obtains mortgage financing encumbering Borrower's Other Real Property, or any portion thereof, without the prior written consent of Lender, in Lender's sole and absolute discretion, this Loan shall become immediately due and payable.

10. Borrower hereby waives presentment, demand for payment, notice of dishonor, protest, and notice of protest. Any modification to this Note must be set forth in writing which, to the extent enforcement thereof may be sought against Holder, must be executed by Holder. This Note shall be governed by and construed and enforced in accordance with the laws of the state of California. The liability of all persons and entities who are in any manner obligated hereunder shall be joint and several.

11. Limitations on Recourse. Notwithstanding anything in the Loan Documents to the contrary, but subject to the qualifications and other provisions in clauses (a), (b) and (c) of this Section 11 below, Lender and Borrower agree that: (i) Borrower shall be liable for the obligations arising under the Loan Documents to the full extent (but only to the extent) of the security therefor, the same being all properties (whether real or personal), rights, estates and interests now or at any time hereafter securing the payment of the Debt and/or the other obligations of Borrower under the Loan Documents; (ii) if a default occurs in the timely and proper payment of all or any part of the Loan, any judicial proceedings brought by Lender against Borrower shall be limited to the preservation, enforcement and foreclosure, or any thereof, of the liens, security titles, estates, assignments, rights and security interests now or at any time hereafter securing the payment of the Loan and/or the other obligations of Borrower under the Loan Documents, and no attachment, execution or other writ of process shall be sought, issued or levied upon Borrower's Other Real Property; and (iii) in the event of a foreclosure of such liens, security titles, estates, assignments, rights or security interests securing the payment of the Loan, no judgment for any deficiency upon the Loan shall be sought or obtained by Lender against Borrower.

a. Nothing contained in this Section 11 shall (1) be deemed to be a release or impairment of the Loan or the lien of the Loan Documents upon the Collateral, or (2) preclude Lender from foreclosing under the Loan Documents in case of any default or from enforcing any of the other rights of Lender, including naming Borrower as a party defendant in any action or suit for foreclosure and sale under the Trust Deed, or obtaining the appointment of a receiver or prohibit Lender from obtaining a personal judgment against Borrower on the Loan to the extent (but only to the extent) such judgment may be required in order to enforce the liens, security titles, estates, assignments, rights and security interests securing payment of the Loan, or (3) limit or impair in any way whatsoever the Guaranty of Recourse Obligations of Borrower (the "**Guaranty**") of even date executed and delivered by William A. Shopoff (the "**Guarantor**") in connection with the indebtedness evidenced by this Note or release, relieve, reduce, waive or impair in any way whatsoever, any obligation of any party to the Guaranty or (4) release, relieve, reduce, waive or impair in any way whatsoever any obligations of any person other than Borrower which is a party to any of the other Loan Documents.

b. In the event of fraud or material misrepresentation by Borrower or the Guarantor in connection with the Loan Documents or the documents delivered by Borrower, or if any petition or proceeding for bankruptcy, reorganization or arrangement pursuant to federal bankruptcy law, or any similar federal or state law, shall be filed by Borrower (or if any such petition or proceeding was not so filed by Borrower, but Borrower or Guarantor or their respective agents, affiliates, officers or employees consented to, acquiesced in, arranged or otherwise participated in bringing about the institution of such petition or proceeding), the limitations on recourse set forth in this Section 11 will be null and void and completely inapplicable, and this Note shall be full-recourse to Borrower.

c. Nothing contained herein shall in any manner or way release, affect or impair the right of Lender to recover, and Borrower shall be fully and personally liable and subject to legal action, for, any loss, cost, expense, damage, claim or other obligation (including without limitation reasonable attorneys' fees and court costs) incurred or suffered by Lender arising out of or in connection with the following: (i) Borrower's failure to obtain Lender's prior written consent to any subordinate financing or any other encumbrance on the Collateral or any other real property owned by Borrower, or any transfer of the Collateral; (ii) the misapplication by Borrower, its

agents, affiliates, officers or employees of any funds derived from the Collateral, including security deposits, insurance proceeds and condemnation awards, in violation of the Loan Documents; (iii) after the occurrence of an Event of Default or otherwise to the extent the Loan Documents require such application, Borrower's failure to apply any income from the Collateral or any other collateral when received to the costs of maintenance and operation of the Collateral and to the payment of taxes, lien claims, insurance premiums, monthly payments of principal and interest or escrow payments or other payments due under the Loan Documents; (iv) any litigation or other legal proceeding related to the Debt filed by Borrower or the Guarantor that delays or impairs Lender's ability to preserve, enforce or foreclose its lien on the Collateral, including, but not limited to, the filing of a voluntary petition concerning Borrower under the U.S. Bankruptcy Code, in which action a claim, counterclaim, or defense is asserted against Lender, other than any litigation or other legal proceeding in which a final, non-appealable judgment for money damages or injunctive relief is entered against Lender; (v) the gross negligence or willful misconduct of Borrower, its agents, affiliates, officers or employees which causes or results in a material diminution, or material loss of value, of the Collateral that is not reimbursed by insurance or which gross negligence or willful misconduct exposes Lender to claims, liability or costs of defense in any litigation or other legal proceeding; (vi) the seizure or forfeiture of the Collateral, or any portion thereof, or Lender's interest therein, resulting from criminal wrongdoing by Borrower, its agents, affiliates, officers or employees; and (vii) waste to the Collateral caused by the acts or omissions of Borrower, its agents, affiliates, officers, employees or contractors; or the removal or disposal of any portion of the Collateral by any of the foregoing after an Event of Default to the extent such Collateral is not replaced by Borrower with like property of equivalent value, function and design.

12. Any notice to Lender under this Note shall be in writing and shall be considered given when delivered by personal service or three (3) business days after placement in the U.S. mails, certified or registered mail, postage prepaid, addressed to Lender: c/o Cardinal Development, 375 Bristol Street, Suite 50, Costa Mesa, California 92626, Attention: David J. Seidner, or such other address as Lender may designate by written notice to Borrower. Any notice to Borrower under this Note shall be in writing and shall be considered given three (3) business days after placement in the U.S. mails, certified or registered mail, postage prepaid, addressed to Borrower: c/o Shopoff Advisors, L.P., 2 Park Plaza, Suite 700, Irvine, California 92614, Attention William A. Shopoff, or such other address as Borrower may designate by written notice to Lender.

13. This Note is the controlling document concerning the matters addressed herein. Therefore, in the event of a conflict between the specific terms of this Note and those contained in other documents executed in connection herewith (collectively, with this Note, the "***Loan Documents***"), such specific terms of this Note shall prevail.

14. As used herein, the word "days" shall mean and refer to calendar days; provided, however, in the event of a payment date or deadline falls on a Saturday, Sunday or federal holiday, such payment date or deadline shall be extended to the next following calendar day that is not a Saturday, Sunday or federal holiday.

[Signature Page Follows]

This Promissory Note Secured by Deed of Trust is executed as of the date first written above.

**SPT-LAKE ELSINORE HOLDING CO., LLC**, a Delaware limited liability company

By: Shopoff Partners, L.P., a  
Delaware  
limited partnership, sole member

By: Shopoff General Partner, LLC, a  
Delaware limited liability company,  
general partner

By: Shopoff Properties Trust, Inc.,  
a Maryland corporation, manager

By: /s/ William A. Shopoff  
William A. Shopoff, President and CEO

**When recorded mail to:**

Gromet & Associates  
114 Pacifica, Suite 250  
Irvine, CA 92618  
Attention: Brian M. Davis, Esq.

Title No. OSA 3943026 (18)  
Escrow No. 3943026

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**DEED OF TRUST WITH ASSIGNMENT OF RENTS**

This DEED OF TRUST WITH ASSIGNMENT OF RENTS, is made this 15<sup>TH</sup> day of February, 2012 between

**SPT-LAKE ELSINORE HOLDING CO., LLC**, a Delaware limited liability company, herein called TRUSTOR, whose address is 2 Park Plaza, Suite 700, Irvine, California 92614

**FIRST AMERICAN TITLE INSURANCE COMPANY**, a California corporation, herein called TRUSTEE, and

**CARDINAL INVESTMENT PROPERTIES - RAMSGATE, L.P.**, a California limited partnership, herein called BENEFICIARY.

WITNESSETH: Trustor irrevocably grants, transfers and assigns to Trustee in Trust, with Power of Sale that property in the County of Riverside, State of California, described as follows:

FOR LEGAL DESCRIPTION SEE EXHIBIT "A" ATTACHED HERETO AND BY THIS REFERENCE INCORPORATED HEREIN.

SEE RIDER ATTACHED HERETO FOR ADDITIONAL TERMS AND CONDITIONS.

together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits,

FOR THE PURPOSE OF SECURING (1) payment of the sum of Eight Hundred Thousand Dollars and No/100 Dollars (\$800,000.00) with interest thereon according to the terms of a promissory note or notes of even date herewith made by TRUSTOR, payable to order of BENEFICIARY, and extensions or renewals thereof; (2) the performance of each agreement of TRUSTOR incorporated by reference or contained herein or reciting it is so secured; (3) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or his or her successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

A. To protect the security of this Deed of Trust, and with respect to the property above described, Trustor agrees:

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of the law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary (to the extent insurable improvements are located on the property). The amount collected under any fire

or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

(4) To pay: at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment (beyond any applicable cure period without cure) or to do any other act as herein provided within twenty (20) days after demand by Beneficiary, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his or her reasonable fees.

(5) To pay immediately upon demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby, any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

(1) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him or her in the same manner and with the same effect as above provided for disposition or proceeds of fire or other insurance.

(2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his or her right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability or any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its

sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as “the person or persons legally entitled thereto.”

(5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his or her own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney’s fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(6) That upon default (beyond any applicable cure period without timely cure) by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.



(8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or the neuter, and the singular number includes the plural.

(9) The Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obliged to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge thereof does not exceed the maximum allowed by laws.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him or her at his or her address hereinbefore set forth.

[Balance of this page intentionally left blank]

TRUSTOR:

**SPT-LAKE ELSINORE HOLDING CO., LLC**, a Delaware limited liability company

By: Shopoff Partners, L.P., a  
Delaware  
limited partnership, sole member

By: Shopoff General Partner, LLC, a  
Delaware limited liability company,  
general partner

By: Shopoff Properties Trust, Inc.,  
a Maryland corporation, manager

By: /s/ William A. Shopoff  
William A. Shopoff, President and CEO

State of California

County of Orange

On February \_\_, 2012 before me, \_\_\_\_\_, notary public, personally appeared **WILLIAM A. SHOPOFF**, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument, the entity upon behalf of which he acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

**DO NOT RECORD**  
**REQUEST FOR FULL RECONVEYANCE**

To FIRST AMERICAN TITLE INSURANCE COMPANY

The undersigned is the legal owner and holder of the note or notes, and of all other indebtedness secured by the foregoing Deed of Trust. Said note or notes, together with all other indebtedness secured by said Deed of Trust have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note or notes above mentioned, and all other evidence of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Please mail Deed of Trust, Note(s) and Reconveyance to:

\_\_\_\_\_

**Do not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.**

**RIDER TO DEED OF TRUST WITH ASSIGNMENT OF RENTS**

This Rider to Deed of Trust with Assignment of Rents is hereby attached to and made a part of that certain Deed of Trust with Assignment of Rents (Long Form) (the "*Trust Deed*") dated for reference purposes as of February 15, 2012, by and between **SPT-LAKE ELSINORE HOLDING CO., LLC**, a Delaware limited liability company ("*Trustor*"), **CARDINAL INVESTMENT PROPERTIES-RAMSGATE, L.P.**, a California limited partnership ("*Beneficiary*"), and **FIRST AMERICAN TITLE INSURANCE COMPANY**, a California corporation ("*Trustee*"), with reference to the following matters:

RECITALS:

A. Trustor has executed that certain *Promissory Note Secured by Deed of Trust* dated concurrently with the Trust Deed (the "*Note*"), and pursuant to which Trustor has borrowed from Beneficiary the principal sum of Eight Hundred Thousand and No/100 Dollars (\$800,000.00) (the "*Loan*"). The Note, the Trust Deed and such other agreements and/or instruments as may have been entered into or made by Trustor for the benefit of Beneficiary in connection with the Loan shall sometimes hereinafter be referred to as the "*Loan Documents*".

B. The lien of the Trust Deed is a monetary encumbrance upon and against the property more particularly described on Exhibit "A" to the Trust Deed and by this reference incorporated herein (the "*Property*").

C. Trustor intends this Rider to supplement and supersede, where applicable, the terms and provisions of the Trust Deed.

Now, therefore, in consideration of the above Recitals, and other good and valuable consideration, receipt of which is hereby acknowledged, Trustor hereby agrees to be bound by, and further supplement and modify the Trust Deed with the following provisions which shall supersede any provision addressing (or silence concerning) the same issue in the Trust Deed:

1. Due on Sale/Encumbrance: Trustor shall not sell, transfer, assign, further encumber, hypothecate, or in any way dispose of or use as collateral for another loan or obligation of Trustor, the Property or any interest therein without first obtaining the prior written consent of Beneficiary, which consent may be granted, conditioned or withheld in the sole discretion of Beneficiary. Any violation of the restrictions set forth herein, whether by act, omission or by virtue of law, shall be considered a default in the performance of the obligations of Trustor under the Trust Deed and Beneficiary shall have the same rights with respect thereto as are provided to Beneficiary under the Trust Deed with respect to any default by Trustor in the payment of any indebtedness secured under the Trust Deed or in Trustor's performance of any agreement thereunder.

2. Assignment of Leases and Rents: The following provisions supersede the provisions of Paragraph B(5) of the Trust Deed:

a. Assignment. Trustor hereby irrevocably assigns to Beneficiary all of Trustor's right, title and interest in, to and under: (a) all leases and/or subleases of the Property, all licenses and agreements relating to the management, leasing or operation of the Property and all other agreements of any kind relating to the use or occupancy of the Property, whether now existing or entered into after the date hereof (collectively, the "*Leases*"); and (b) the rents, issues and profits of the Property, including, without limitation, all amounts payable and all rights and benefits accruing to Trustor under the Leases (collectively, the "*Payments*"). The term "*Leases*" shall also include all guarantees of and security for the lessees' performance thereunder, and all amendments, extensions, renewals or modifications thereto which are permitted hereunder. This is a present and absolute assignment, not an assignment for security purposes only, and Beneficiary's right to the Leases and Payments is not contingent upon, and may be exercised without possession of, the Property.

b. Grant of License. By acceptance of this Rider, Beneficiary shall be deemed to have conferred upon Trustor a license (the "License") to collect and retain the Payments as they become due and payable, until the occurrence of a default under any of the Loan Documents. Upon a default and the passage of the applicable cure period without cure, the License shall be automatically revoked and Beneficiary may collect and apply the Payments without notice and without taking possession of the Property. Trustor hereby irrevocably authorizes and directs the lessees under the Leases to rely upon and comply with any notice or demand by Beneficiary for the payment to Beneficiary of any rental or other sums which may at any time become due under the Leases, or for the performance of any of the lessees' undertakings under the Leases, and the lessees shall have no right or duty to inquire as to whether any Default has actually occurred or is then existing hereunder. Trustor hereby relieves the lessees from any liability to Trustor by reason of relying upon and complying with any such notice or demand by Beneficiary.

c. Effect of Assignment. The foregoing irrevocable assignment shall not cause Beneficiary to be: (a) a mortgagee in possession; (b) responsible or liable for the control, care, management or repair of the Property or for performing any of the terms, agreements, undertakings, obligations, representations, warranties, covenants and conditions of the leases; or (c) responsible or liable for any waste committed on the Property by the lessees or any other parties; for any dangerous or defective condition of the Property; or for any negligence in the management, upkeep, repair or control of the Property resulting in loss or injury or death to any Lessee, licensee, employee, invitee or other person. Beneficiary shall not directly or indirectly be liable to Trustor or any other person as a consequence of: (i) the exercise or failure to exercise any of the rights, remedies or powers granted to Beneficiary hereunder; (ii) the failure or refusal of Beneficiary to perform or discharge any obligation, duty or liability of Trustor arising under the Leases.

d. Representations and Warranties. Trustor represents and warrants that: (a) all existing Leases, if any, are in full force and effect and are enforceable in accordance with their respective terms, and no breach or default, or event which would constitute a breach or default after notice or the passage of time, or both, exists under any existing Leases; and (b) no rent or other payment under any existing Lease has been paid by any lessee for more than one (1) month in advance; and (c) none of the lessor's interests under any of the Leases has been transferred or assigned.

e. Covenants. Trustor covenants and agrees at Trustor's sole cost and expense to: (a) perform the obligations of lessor contained in any Lease and enforce by all available remedies in a commercially reasonable manner performance by the lessees of the obligations of the lessees contained in the Leases; (b) give Beneficiary prompt written notice of any default which occurs with respect to any of the Leases, whether the default be that of the lessee or of the lessor; (c) exercise commercially reasonable efforts to keep all portions of the Property leased at all times at rentals not less than the fair market rental value; (d) deliver to Beneficiary fully executed, counterpart original(s) of each and every Lease if requested to do so; and (e) execute and record such additional assignments of any Lease or specific subordinations of any Lease to the Trust Deed, in form and substance acceptable to Beneficiary, as Beneficiary may reasonably request. Except with Beneficiary's prior written consent, which consent shall not be unreasonably withheld or delayed, Trustor shall not: (i) enter into any Leases after the date hereof (except for leases executed by Trustor in the ordinary course of Trustor's business); (ii) execute any other assignment relating to any of the Leases; (iii) discount any rent or other sums due under the Leases or collect the same in advance, other than to collect rent one (1) month in advance of the time when it becomes due; (iv) terminate, modify or amend any of the terms of the Leases or in any manner release or discharge the lessees from any obligations thereunder; (v) consent to any assignment or subletting by any lessee; or (vi) subordinate or agree to subordinate any of the Leases to any other deed of trust or encumbrance. Any such attempted action in violation of the provisions hereof shall be null and void.

f. Intentionally Deleted. [estoppel certificates]

3. Reinstatement of Lien. Beneficiary's rights hereunder shall be reinstated and revived, and the enforceability of this Trust Deed shall continue, with respect to any amount at any time paid on account of any

obligations secured hereby which Beneficiary is thereafter required to restore or return in connection with a bankruptcy, insolvency, reorganization or similar proceeding with respect to any Borrower.

4. Insurance. In addition to the obligations of Trustor pursuant to Paragraph A(2) of the Trust Deed, Trustor shall maintain in effect at all times prior to the full release and reconveyance of the Trust Deed, the following insurance naming Beneficiary as an additional insured and containing a waiver of subrogation: (a) commercial general public liability insurance covering claims for bodily injury, personal injury and property damage with single limit coverage of not less than One Million Two Hundred Thousand and No/100 Dollars (\$1,200,000.00) per occurrence and (b) if reasonably requested in writing by Beneficiary, all risk course of construction insurance in an amount not less than the full replacement value of the improvements to the Property.

5. No Amendment. Neither this Rider nor the Trust Deed shall be amended without the written consent of Trustor and Beneficiary.

6. Notices. Any notice to Trustee shall be in writing and shall be considered given when delivered by personal service or three (3) business days after placement in the U.S. mails, certified or registered mail, postage prepaid, addressed to Trustee: c/o Cardinal Development, 375 Bristol Street, Suite 50, Costa Mesa, California 92626, Attention: David J. Seidner, or such other address as Trustee may designate by written notice to Trustor. Any notice to Trustor under this Note shall be in writing and shall be considered given three (3) business days after placement in the U.S. mails, certified or registered mail, postage prepaid, addressed to Borrower: c/o Shopoff Advisors, L.P., 2 Park Plaza, Irvine, California 92614, Attention William A. Shopoff, or such other address as Trustor may designate by written notice to Trustee.

7. Attorneys Fees. In addition to the obligations of Trustor pursuant to Paragraph A(3) of the Trust Deed, Trustor shall pay a reasonable sum as and for the attorneys fees and legal costs incurred by Beneficiary in connection with any dispute arising between the parties hereto or their legal representatives, successors and assigns, concerning any provision of this Rider or the Trust Deed, or the rights and duties of any person in relation thereto, if Beneficiary is the prevailing party in such dispute.

8. Governing Law. The validity, interpretation and performance of this Rider or the Trust Deed shall be controlled by and construed under the laws of the State of California. The parties hereto hereby consent to the jurisdiction of the California courts with venue in Orange County in the event any dispute arises in conjunction herewith.

9. Time of Essence. Time is of the essence. As used herein, the word "days" shall mean and refer to calendar days; provided, however, in the event a payment date or deadline falls on a Saturday, Sunday or federal holiday, such payment date or deadline shall be extended to the next following calendar day that is not a Saturday, Sunday or federal holiday.

[Balance of this page intentionally left blank]

END OF RIDER

Dated as of the date first written above.

“Trustor”

**SPT-LAKE ELSINORE HOLDING CO., LLC,**  
a Delaware limited liability company

By: Shopoff Partners, L.P., a  
Delaware  
limited partnership, sole member

By: Shopoff General Partner, LLC, a  
Delaware limited liability company,  
general partner

By: Shopoff Properties Trust, Inc.,  
a Maryland corporation, manager

By: /s/ William A. Shopoff  
William A. Shopoff, President and CEO

“Beneficiary”

**CARDINAL INVESTMENT PROPERTIES – RAMSGATE, L.P.,**  
a California limited partnership

By: Cardinal Investment Properties,  
LLC, a  
California limited liability  
company,  
General Partner

By: /s/ David J. Seidner  
David J. Seidner, General  
Manager

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "*Agreement*") is dated for reference purposes as of February 15, 2012, and is made by and between **SPT-LAKE ELSINORE HOLDING CO., LLC**, a Delaware limited liability company (the "*Debtor*"), and the **CARDINAL INVESTMENT PROPERTIES-RAMSGATE, L.P.**, a California limited partnership (the "*Secured Party*"), with reference to the following facts:

### RECITALS:

A. Debtor has entered into certain agreements as "*Borrower*" with Secured Party as "*Lender*" including that certain Loan Agreement, Promissory Note Secured by Deed of Trust, Deed of Trust with Assignment of Rents, and such other documents of an even date herewith (collectively, the "*Loan Documents*") as may have been entered into by and between Debtor and Secured Party in connection with that certain loan from Secured Party to Debtor in the amount Eight Hundred Thousand and No/100 Dollars (\$800,000.00) (the "*Loan*"), and pursuant to which Debtor has assumed certain obligations as more particularly described therein.

B. Debtor has agreed to provide for the benefit of Secured Party certain collateral security for the performance by Debtor of its obligations thereunder in the form of a security interest in certain collateral as described herein.

C. The parties now wish to enter into this Agreement to provide for such security interest and such matters as are set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Debtor hereby (i) grants Secured Party a security interest in all of Debtor's right, title and interest in and to the property more particularly described below and all products thereof (collectively, the "*Collateral*"), to be held and/or disposed of in accordance with the terms of this Agreement:

A. All fixtures and arising of property now or hereafter attached hereto, or used or adapted for use in the development, construction and/or operation of, the real property and all improvements thereto located in the City of Lake Elsinore, County of Riverside, State of California, and more particularly described in the attached **Exhibit "A"** (the "*Real Property*"), or delivered to the Real Property for such attachment, use and/or adaptation for use (whether such items are leased, owned absolutely or subject to any title retaining or security instrument, or otherwise used or possessed, but excluding those items owned by tenants in accordance with their leases), including, without limitation, all building and construction materials, heating, cooling, air-conditioning, ventilating, refrigerating, plumbing, generating, power, lighting, laundry, maintenance, incinerating, lifting, cleaning, fire prevention and extinguishing, security and access control, cooking, gas, electric, and communication fixtures, equipment, and apparatus, all engines, motors, conduits, pipes, pumps, tanks, ducts, compressors, boilers, water heaters, and furnaces, all ranges, stoves, disposers, refrigerators, and other appliance, all escalators and elevators, all cabinets, partitions, mantels, built-in mirrors, window shades, blinds, screens, awnings, storm doors, windows, and sash, all capering, under padding, and draperies, all furnishings of public spaces, halls, and lobbies, and all shrubbery and plants.

B. All proceeds and rights thereto which may be or become payable by virtue of any insurance contracts or policies which insure the Real Property or any building, structures, or improvements thereon, or any such fixtures or personal property, against casualties and theft (including all deposit accounts and/or investment property in which such proceeds are deposited or held).



C. All the rents, revenues, issues, profits and income of the Real Property, and all right, title and interest of Debtor in and to all present and future leases and other agreements for the occupancy or use of all or any part of the Real Property, and all right, title and interest of Debtor thereunder, including, without limitation, all cash or security deposits, advance rentals, and deposit or payments of similar nature (including all deposit accounts and/or investment property in which the same are deposited or held or are otherwise related thereto), together with all guarantees of tenants or occupants' performance thereunder.

D. All deposit accounts, investment property, tangible property and all general intangibles relating to the development of the Real Property including, but not limited to, all plans and specifications, architectural plans and renderings, development rights, utility or other deposits or prepaid fees, reports, studies, entitlements, permits, licenses, franchises, all names under or by which the Real Property may at any time be operated or known and all rights to carry on business under any such names or any variant thereof.

E. All products and proceeds of all of the foregoing and all deposit accounts and/or investment property in which the same are deposited or held or are otherwise related thereto.

2. The granting of this security interest is security for the performance by Debtor of its obligations to Secured Party, pursuant to the terms of the Loan Documents, including, but not limited to, repayment of the Loan and any and all sums hereafter advanced and expenditures hereafter made by Secured Party to or for the account or benefit of Debtor, and any and all indebtedness and obligations now or hereafter owing or due or becoming owing or due from Debtor to Secured Party.

3. Debtor hereby represents and warrants to Secured Party that (i) Debtor is the absolute owner of all of the Collateral, (ii) the Collateral is free and clear of all security interests, liens and encumbrances and adverse claims except such claims in favor of Secured Party as are created hereunder and (iii) Debtor has the right to grant to Secured Party the security interest in the Collateral created herein without obtaining the consent of any person or, in the event the consent of any person is required, Debtor shall obtain such consent in form and content reasonably satisfactory to Lender and deliver the same to Lender prior to the funding of the Loan.

4. Debtor covenants and agrees that Debtor will, upon demand at any time, execute and deliver all such further instruments, documents and/or agreement, and undertake such acts, as shall be reasonably required to effectuate the security interest described herein and so as to render all of the Collateral available for the security and satisfaction of said indebtedness, according to the intent and purpose herein expressed and so as to enable the Secured Party to sell and/or convey or otherwise to subject the same to the lien hereof. Debtor further agrees to appear in and defend any and all actions and proceedings affecting the title to the Collateral or any part thereof or affecting the security interest of Secured Party therein.

5. If Debtor shall default in the payment of any of the indebtedness, obligations or liabilities secured hereby or shall default in the performance of any agreement herein contained, or if any breach be made in any obligation, promise, declaration or warranty of Debtor herein contained or secured hereby, then, subject to Debtor's cure rights under the Loan Documents, Secured Party at Secured Party's option, shall have the remedies of a Secured Party under the laws of the State of California, including (to the extent not otherwise prohibited thereby) the right to require Debtor to assemble the Collateral and make it available to Secured Party where the Collateral may be and for taking possession thereof by Secured Party, and the removal, sale or other disposition of the Collateral, or any part thereof, by Secured Party at public or private sale, upon legal notice to Debtor. Secured Party shall deduct and retain from the proceeds of such sale or sales all costs, expenses and charges paid or incurred in the taking, removal, handling and sale of the Collateral, or otherwise incurred in connection therewith, including any reasonable attorneys' fees incurred or paid by Secured Party; the balance of the proceeds shall be applied by Secured Party upon the indebtedness, obligations and liabilities secured hereby and the surplus, if any, shall be paid to Debtor or to the person or persons lawfully entitled to receive the same. If suit be brought, or any proceedings instituted by Secured Party against Debtor to enforce the provisions of this Agreement, there shall be due from Debtor to Secured Party, such sum for reasonable attorneys' fees and expenses as may be awarded to Secured Party in said action or

proceeding, which sum is hereby secured. In any such action, the plaintiff shall be entitled to the appointment of a receiver, without notice, to take possession of all or any part of the Collateral and to exercise such powers as the Court shall confer upon him. At any sale or sales made under this Agreement, or authorized herein, Secured Party or any person on behalf of Secured Party, or any other person may bid for and purchase any of the Collateral being sold.

6. Unless otherwise directed by Debtor in writing, any notices required to be delivered to Debtor hereunder shall be delivered: c/o Shopoff Advisors, L.P., 2 Park Plaza, Suite 700, Irvine, California 92614, Attention William A. Shopoff. Unless otherwise directed by Secured Party in writing, any notices required to be delivered to Secured Party hereunder shall be delivered to: c/o Cardinal Development, 375 Bristol Street, Suite 50, Costa Mesa, California 92626, Attention: David J. Seidner.

7. This Agreement has been entered into by and between Debtor and Secured Party in addition to, and for the purpose of complimenting, the rights of Secured Party under the Loan Documents. Debtor hereby acknowledges and agrees that, to the maximum extent permitted by applicable law, (i) the rights of, and the remedies available to, Secured Party under this Agreement or any of the other Loan Documents, shall at all times be available to and enforceable by Secured Party on a nonexclusive basis and (ii) the election by Secured Party to pursue anyone course of action thereunder shall not constitute a waiver or prohibition against the pursuit by Secured Party of any other right or remedy under any of the Loan Documents.

8. The words "Debtor" and "Secured Party", as used herein, shall be construed to include the heirs, legatees, devisees, administrators, executors, successors and assigns of Debtor and Secured Party, respectively, and this Agreement shall bind and inure to the benefit of said third persons. Whenever the context so requires, the masculine gender includes the feminine and/or neuter, the singular number includes the plural and vice versa. If there be more than one Debtor, it is agreed that the provisions of this Agreement in reference to Debtor shall be construed to apply jointly and severally to each of the Debtors. The term "and/or" as used herein means one or the other or both, or anyone or all, of the things or persons in connection with which the words are used. This Agreement shall be governed by the laws of the State of California. This Agreement may be executed in counterparts, each of which shall be deemed to be an original of this Agreement, but such counterparts, when taken together, shall constitute but one agreement.

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IN WITNESS WHEREOF, Secured Party and Debtor have executed this Agreement as of the date first above written.

**SECURED PARTY:**

**CARDINAL INVESTMENT PROPERTIES – RAMSGATE, L.P.,  
a California limited partnership**

By: Cardinal Investment Properties,  
LLC, a  
California limited liability  
company,  
General Partner

By: /s/ David J. Seidner  
David J. Seidner, General  
Manager

**BORROWER:**

**DEBTOR:**

**SPT-LAKE ELSINORE HOLDING CO., LLC,  
a Delaware limited liability company**

By: Shopoff Partners, L.P., a  
Delaware  
limited partnership, sole member

By: Shopoff General Partner, LLC, a  
Delaware limited liability company,  
general partner

By: Shopoff Properties Trust, Inc.,  
a Maryland corporation, manager

By: /s/ William A. Shopoff  
William A. Shopoff, President and CEO