Submission Notification

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Subject: ACCEPTED FORM TYPE 10-Q (0000950123-11-077566)
Date: 15-Aug-2011 16:13

THE FOLLOWING SUBMISSION HAS BEEN ACCEPTED BY THE U.S. SECURITIES AND EXCHANGE
COMMISSION.


COMPANY:        Cornerstone Core Properties REIT, Inc.
FORM TYPE:      10-Q                  NUMBER OF DOCUMENTS: 13
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FILE NUMBER(S):
   1. 000-52566

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PLEASE REFER TO THE ACCESSION NUMBER LISTED ABOVE FOR FUTURE INQUIRIES.

REGISTRANT(S):

   1. CIK:         0001310383
      COMPANY:     Cornerstone Core Properties REIT, Inc.
      FORM TYPE:   10-Q
      FILE NUMBER(S):
         1. 000-52566

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☑ **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**

Commission File Number 000-52566

CORNERSTONE CORE PROPERTIES REIT, INC.

(Exact name of registrant as specified in its charter)

MARYLAND	**73-1721791**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1920 MAIN STREET, SUITE 400, IRVINE, CA	**92614**
(Address of principal executive offices)	(Zip Code)

949-852-1007
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the issuer (1) filed all reports required to be filed by section 13 or 15(d) of the 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 (Sec.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, a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

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 Act).

☐ Yes ☑ No

As of August 12, 2011, we had 23,027,235 shares issued and outstanding.

PART I — FINANCIAL INFORMATION
FORM 10-Q
Cornerstone Core Properties REIT, Inc.
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CORNERSTONE CORE PROPERTIES REIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	June 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	$ 1,544,000	$ 2,014,000
Investments in real estate		
Land	11,461,000	18,073,000
Buildings and improvements, net	34,661,000	51,921,000
Intangible lease assets, net	118,000	179,000
Property held for sale, net	24,515,000	53,088,000
	70,755,000	123,261,000
Notes receivable, net	2,200,000	4,000,000
Note receivable from related party	—	8,000,000
Non real-estate assets associated with property held for sale	310,000	424,000
Deferred costs and deposits	27,000	32,000
Deferred financing costs, net	147,000	271,000
Tenant and other receivables, net	399,000	446,000
Other assets, net	374,000	549,000
Assets held in variable interest entities:		
Cash and cash equivalents	236,000	—
Investments in real estate	9,638,000	—
Accounts receivable, inventory and other assets	195,000	—
Total assets held in variable interest entities:	10,069,000	—
Total assets	$ 85,825,000	$138,997,000
LIABILITIES AND EQUITY		
Liabilities:		
Notes payable	$ 24,430,000	$ 26,604,000
Accounts payable and accrued liabilities	753,000	646,000
Payable to related parties	113,000	—
Prepaid rent, security deposits and deferred revenue	422,000	661,000
Intangible lease liabilities, net	66,000	89,000
Distributions payable	468,000	157,000
Liabilities associated with property held for sale	3,805,000	9,870,000
Liabilities held in variable interest entities:		
Accounts payable and accrued liabilities	289,000	—
Interest payable	57,000	—
Loan payable	128,000	—
Note payable	1,332,000	—
Total liabilities held in variable interest entities:	1,806,000	—
Total liabilities	31,863,000	38,027,000
Commitments and contingencies (Note 14)		
Equity:		
Stockholders' equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; no shares were issued or outstanding at June 30, 2011 and December 31, 2010	—	—
Common stock, $0.001 par value; 290,000,000 shares authorized; 23,027,235 and 23,074,381 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	23,000	23,000
Additional paid-in capital	116,229,000	117,520,000
Accumulated deficit	(62,349,000)	(16,690,000)
Total stockholders' equity	53,903,000	100,853,000
Noncontrolling interest	59,000	117,000
Total equity	53,962,000	100,970,000
Total liabilities and equity	$ 85,825,000	$138,997,000

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

CORNERSTONE CORE PROPERTIES REIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues:				
Rental revenues	$ 916,000	$ 961,000	$ 1,791,000	$ 2,043,000
Tenant reimbursements and other income	236,000	272,000	466,000	522,000
Interest income from notes receivable	104,000	364,000	263,000	788,000
	1,256,000	1,597,000	2,520,000	3,353,000
Expenses:				
Property operating and maintenance	425,000	405,000	818,000	828,000
General and administrative	755,000	483,000	1,371,000	1,050,000
Asset management fees	411,000	365,000	826,000	828,000
Real estate acquisition costs	—	22,000	—	28,000
Depreciation and amortization	544,000	528,000	1,073,000	1,058,000
Impairment of note receivable	1,650,000	—	1,650,000	—
Impairment of real estate	23,219,000	—	23,219,000	—
	27,004,000	1,803,000	28,957,000	3,792,000
Operating loss	(25,748,000)	(206,000)	(26,437,000)	(439,000)
Interest income	—	2,000	—	3,000
Interest expense	(320,000)	(269,000)	(611,000)	(532,000)
Loss from continuing operations	(26,068,000)	(473,000)	(27,048,000)	(968,000)
Discontinued operations:				
(Loss) income from discontinued operations	(18,871,000)	580,000	(18,663,000)	1,095,000
Net (loss) income	(44,939,000)	107,000	45,711,000	127,000
Loss attributable to noncontrolling interest	(52,000)	—	(52,000)	—
Net (loss) income attributable to common stockholders	$(44,887,000)	$ 107,000	$(45,659,000)	$ 127,000
Earnings per common share:				
Basic and diluted net loss from continuing operations per common share	$ (1.11)	$ (0.02)	$ (1.15)	$ (0.04)
Basic and diluted net (loss) income from discontinued operations per common share	$ (0.80)	$ 0.03	$ (0.80)	$ 0.05
Weighted average number of common shares	23,521,838	22,822,774	23,473,816	22,943,713
Dividend declared per common share	$ 0.02	$ 0.12	$ 0.04	$ 0.24

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

CORNERSTONE CORE PROPERTIES REIT, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Six Months Ended June 30, 2011 and 2010

(Unaudited)

	Common Stock						
	Number of Shares	**Common Stock Par Value**	**Additional Paid-In Capital**	**Accumulated Deficit**	**Total Stockholders' Equity**	**Noncontrolling Interest**	**Total Equity**
Balance — December 31, 2010	**23,074,381**	**$23,000**	**117,520,000**	**$(16,690,000)**	**$100,853,000**	**$ 117,000**	**$100,970,000**
Issuance of common stock	—	—	—	—	—	—	—
Redeemed shares	(47,146)	—	(369,000)	—	(369,000)	—	(369,000)
Offering costs	—	—	—	—	—	—	—
Dividends declared	—	—	(922,000)	—	(922,000)	(6,000)	(928,000)
Net loss	—	—	—	(45,659,000)	(45,659,000)	(52,000)	(45,711,000)
Balance — June 30, 2011	**23,027,235**	**$23,000**	**$116,229,000**	**$(62,349,000)**	**$ 53,903,000**	**$ 59,000**	**$ 53,962,000**

	Common Stock						
	Number of Shares	**Common Stock Par Value**	**Additional Paid-In Capital**	**Accumulated Deficit**	**Total Stockholders' Equity**	**Noncontrolling Interest**	**Total Equity**
Balance — December 31, 2009	**23,114,201**	**$24,000**	**128,559,000**	**$(13,559,000)**	**$115,024,000**	**$ 131,000**	**$115,155,000**
Issuance of common stock	530,863	1,000	4,090,000	—	4,091,000	—	4,091,000
Redeemed shares	(834,363)	—	(6,391,000)	—	(6,391,000)	—	(6,391,000)
Offering costs	—	—	(354,000)	—	(354,000)	—	(354,000)
Dividends declared	—	—	(5,435,000)	—	(5,435,000)	(6,000)	(5,441,000)
Net income	—	—	—	127,000	127,000	—	127,000
Balance — June 30, 2010	**22,810,701**	**$25,000**	**$120,469,000**	**$(13,432,000)**	**$107,062,000**	**$ 125,000**	**$107,187,000**

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

CORNERSTONE CORE PROPERTIES REIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash flows from operating activities		
Net (loss) income	$(45,711,000)	$ 127,000
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Amortization of deferred financing costs	200,000	105,000
Depreciation and amortization	1,549,000	1,650,000
Straight-line rents and amortization of acquired above (below) market leases, net	3,000	(168,000)
Impairment of note receivable	1,650,000	—
Impairment of real estate	42,492,000	—
Provision for bad debt	(25,000)	(100,000)
Change in operating assets and liabilities:		
Tenant and other receivables	147,000	23,000
Prepaid and other assets	130,000	129,000
Payable and accrued liabilities	(8,000)	278,000
Payable to related parties	3,000	(356,000)
Prepaid rent, security deposit and deferred revenues	(168,000)	(124,000)
Net cash provided by operating activities	262,000	1,564,000
Cash flows from investing activities		
Real estate improvements	(402,000)	(97,000)
Real estate disposition	9,130,000	—
Escrow deposits	—	(50,000)
Notes receivable proceeds (disbursements)	150,000	(500,000)
Notes receivable from related parties (See Note 8)	(318,000)	(1,009,000)
Net cash provided by (used in) investing activities	8,560,000	(1,656,000)
Cash flows from financing activities		
Issuance of common stock	—	1,091,000
Redeemed shares	(369,000)	(6,391,000)
Repayment of notes payable	(8,244,000)	(95,000)
Offering costs	(5,000)	(350,000)
Distributions paid to stockholders	(611,000)	(2,477,000)
Distributions paid to noncontrolling interest	(6,000)	(6,000)
Deferred financing costs	(57,000)	—
Net cash used in financing activities	(9,292,000)	(8,228,000)
Net decrease in cash and cash equivalents	(470,000)	(8,320,000)
Cash and cash equivalents — beginning of period	2,014,000	18,673,000
Cash and cash equivalents — end of period	$ 1,544,000	$10,353,000
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 506,000	$ 452,000
Supplemental disclosure of non-cash financing and investing activities:		
Accrual for distribution declared	$ 468,000	$ 898,000
Accrued leasing commission payable	$ 6,000	—
Deferred loan origination fees	$ 20,000	—
Accrued real estate improvements	$ 102,000	$ —
Distribution reinvested	$ —	$ 3,000,000
Payable to related party, net	$ —	$ 4,000
Elimination of note receivable from related party through consolidation of variable interest entity (See Note 9)		
Assets acquired	$ 10,069,000	—
Liabilities assumed	$ 1,806,000	—
Elimination of note receivable	$ 8,263,000	—

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

CORNERSTONE CORE PROPERTIES REIT, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011

UNAUDITED

1. Organization

Cornerstone Core Properties REIT, Inc., a Maryland Corporation, was formed on October 22, 2004 under the General Corporation Law of Maryland for the purpose of engaging in the business of investing in and owning commercial real estate. As used in this report, the "Company", "we", "us" and "our" refer to Cornerstone Core Properties REIT, Inc. and its consolidated subsidiaries except where the context otherwise requires. Subject to certain restrictions and limitations, our business is managed pursuant to an advisory agreement by an affiliate, Cornerstone Realty Advisors, LLC, a Delaware limited liability company that was formed on November 30, 2004 (the "Advisor").

Cornerstone Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership") was formed on November 30, 2004. At June 30, 2011, we owned a 99.88% general partner interest in the Operating Partnership while the Advisor owned a 0.12% limited partnership interest. We anticipate that we will conduct all or a portion of our operations through the Operating Partnership. Our financial statements and the financial statements of the Operating Partnership are consolidated in the accompanying condensed consolidated financial statements. These financial statements include consolidation of a variable interest entity (see Note 9). All intercompany accounts and transactions have been eliminated in consolidation.

2. Public Offerings

On January 6, 2006, we commenced a public offering of a minimum of 125,000 shares and a maximum of 55,400,000 shares of our common stock, consisting of 44,400,000 shares for sale to the public (the "Primary Offering") and 11,000,000 shares for sale pursuant to our distribution reinvestment plan. We stopped making offers under our initial public offering on June 1, 2009 upon raising gross offering proceeds of approximately $172.7 million from the sale of approximately 21.7 million shares, including shares sold under the distribution reinvestment plan. On June 10, 2009, the U.S. Securities Exchange Commission ("SEC") declared our follow-on offering effective and we commenced a follow-on offering of up to 77,350,000 shares of our common stock, consisting of 56,250,000 shares for sale to the public (the "Follow-On Offering") and 21,100,000 shares for sale pursuant to our dividend reinvestment plan. The Primary Offering and Follow-On Offering are collectively referred to as the "Offerings". We retained Pacific Cornerstone Capital, Inc. ("PCC"), an affiliate of our advisor, to serve as the dealer manager for the Offerings. PCC was responsible for marketing our shares being offered pursuant to the Offerings.

On November 23, 2010 we informed our investors of several decisions made by the board of directors for the health of our REIT. Effective November 23, 2010, we stopped making and or accepting offers to purchase shares of our stock while our board of directors evaluates strategic alternatives to maximize value. The board of directors continues to evaluate such alternatives and has engaged consultants to assist in identifying such alternatives.

As of June 30, 2011, approximately 20.9 million shares of our common stock had been sold in our Offerings for aggregate gross proceeds of approximately $167.1 million. This excludes shares issued under our distribution reinvestment plan.

3. Summary of Significant Accounting Policies

The preparation of our condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We base these estimates on various assumptions that we believe to be reasonable under the circumstances, and these estimates form the basis for our judgments concerning the carrying values of assets and liabilities that are not readily apparent from other sources. We periodically evaluate these estimates and judgments based on available information and experience. Actual results could differ from our estimates under different assumptions and conditions. If actual results significantly differ from our estimates, our financial condition and results of operations could be materially impacted. For more information regarding our critical accounting policies and estimates please refer to "Summary of Significant Accounting Policies" contained in our Annual Report on Form 10-K for the year ended December 31, 2010. There have been no material changes to the critical accounting policies previously disclosed in that report.

Interim Financial Information

The accompanying interim condensed consolidated financial statements have been prepared by our management in accordance with accounting principles generally accepted in the United States of America ("GAAP") and in conjunction with the rules and regulations of the SEC. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, the interim condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. The accompanying financial information reflects all adjustments which are, in the opinion of our management, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods. Interim results of operations are not necessarily indicative of the results to be expected for the full year. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the 2010 Annual Report on Form 10-K as filed with the SEC. Operating results for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

Fair Value of Financial Instruments

Financial Accounting Standards Board Accounting Standards Codification ("ASC") 825-10, *Financial Instruments*, requires the disclosure of fair value information about financial instruments whether or not recognized on the face of the balance sheet, for which it is practical to estimate that value.

Fair value represents the estimate of the proceeds to be received, or paid in the case of a liability, in a current transaction between willing parties. ASC 820, *Fair Value Measurement ("ASC 820")* establishes a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. Inputs are either observable or unobservable in the marketplace. Observable inputs are based on market data from independent sources and unobservable inputs reflect the reporting entity's assumptions about market participant assumptions used to value an asset or liability.

Financial assets and liabilities recorded at fair value on the condensed consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1. Quoted prices in active markets for identical instruments.

Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3. Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value are classified according to the lowest level input that is significant to their valuation. A financial instrument that has a significant unobservable input along with significant observable inputs may still be classified as a level 3 instrument.

We generally determine or calculate the fair value of financial instruments using quoted market prices in active markets when such information is available or use appropriate present value or other valuation techniques, such as discounted cash flow analyses, incorporating available market discount rate information for similar types of instruments and our estimates for non-performance and liquidity risk. These techniques are significantly affected by the assumptions used, including the discount rate, credit spreads, and estimates of future cash flow.

Our condensed consolidated balance sheets include the following financial instruments: cash and cash equivalents, notes receivable, note receivable from related party, tenant and other receivables, other assets, deferred costs and deposits, deferred financing costs, payable to related parties, prepaid rent, security deposits and deferred revenue, accounts payable and accrued liabilities, distribution payable and notes payable. With the exception of notes receivable, note receivable from related party and notes payable discussed below, we consider the carrying values to approximate fair value for such financial instruments because of the short period of time between origination of the instruments and their expected payment.

The fair value of notes payable is estimated using lending rates available to us for financial instruments with similar terms and maturities. As of June 30, 2011 and December 31, 2010, the fair value of notes payable was $27.5 million and $35.9 million, compared to the carrying value of $27.6 million and $35.9 million, respectively. The carrying values noted above include notes classified as liabilities associated with property held for sale totaling $3.2 million and $9.3 million as of June 30, 2011 and December 31, 2010, respectively.

As of June 30, 2011 and December 31, 2010, the fair value of notes receivable was $2.2 million and $3.9 million, compared to the carrying value of $2.2 million and $4.0 million, respectively. The fair value of notes receivable is estimated using current rates at which management believes similar loans would be made. During the period ended June 30, 2011, we determined the note receivable was impaired and therefore have adjusted its carrying value to estimated fair value based on our assessment of the borrower's business prospects.

At December 31, 2010, the fair value of the note receivable from related party was $8.0 million, consistent with its carrying value, estimated using current rates at which management believes similar loans would be made with similar terms and maturities. On June 30, 2011, we consolidated the related party with which we entered this transaction as we determined that we were the primary beneficiary of the entity at that date (see Note 9).

As a result of our ongoing analysis for potential impairment of our investments in real estate, including properties classified as held for sale and the Goldenwest property sold in June 2011, and a note receivable, we were required to adjust the carrying value of certain assets to their estimated fair values (see Note 4). The following table summarizes these fair value measurements as of June 30, 2011:

	Level 1 Assets at Fair Value	Level 2 Assets at Fair Value	Level 3 Assets at Fair Value	Total
Investments in real estate	$—	$—	$41,970,000	$41,970,000
Property held for sale	$—	$—	$24,515,000	$24,515,000
Note receivable	$—	$—	$ 2,200,000	$ 2,200,000

Variable Interest Entities

The Company analyzes its contractual and/or other interests to determine whether such interests constitute an interest in a variable interest entity ("VIE") in accordance with ASC 810, "Consolidation" ("ASC 810"), and, if so, whether the Company is the primary beneficiary. If the Company is determined to be the primary beneficiary of a VIE, it must consolidate the VIE. A VIE is an entity with insufficient equity investment or in which the equity investors lack some of the characteristics of a controlling financial interest. In determining whether it is the primary beneficiary, the Company considers, among other things, whether it has the power to direct the activities of the VIE that most significantly impact the entity's economic performance, including, but not limited to, determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, or arranging financing for the VIE. The Company also considers whether it has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE (see Note 9).

Real Estate Assets Held for Sale

The Company evaluates the held for sale classification of its owned real estate each quarter. Assets that are classified as held for sale are recorded at the lower of their carrying amount or fair value less cost to sell. Assets are classified as held for sale once management commits to a plan to sell the properties and has initiated an active program to market them for sale. The results of operations of these real estate properties are reflected as discontinued operations in all periods reported. During the second quarter of 2011, management committed to a plan to sell the Mack Deer Valley, Pinnacle Park Business Center, and 2111 South Industrial Park properties to a third party and as such we have classified the properties as held for sale. These properties have not been sold as of June 30, 2011 (see Note 15).

Recent Accounting Pronouncements

In April 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-02, A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring ("ASU 2011-02"). The amendments in this update clarify, among other things, the guidance on a creditor's evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties. The Company does not expect the adoption of ASU 2011-02 on July 1, 2011 to have an impact on its consolidated financial position or results of operations.

4. Investments in Real Estate

Impairment

In accordance with ASC 360, *Property, Plant, and Equipment* (“ASC 360”), we conduct a comprehensive review of our real estate assets for impairment. ASC 360 requires that asset values be analyzed whenever events or changes in circumstances indicate that the carrying value of a property may not be fully recoverable.

Indicators of potential impairment include the following:

- Change in strategy resulting in a decreased holding period;
- Decreased occupancy levels;
- Deterioration of the rental market as evidenced by rent decreases over numerous quarters;
- Properties adjacent to or located in the same submarket as those with recent impairment issues;
- Significant decrease in market price; and/or
- Tenant financial problems.

The intended use of an asset, either held for sale or held for the long term, can significantly impact how impairment is measured. If an asset is intended to be held for the long term, the impairment analysis is based on a two-step test. The first test measures estimated expected future cash flows over the holding period, including a residual value (undiscounted and without interest charges), against the carrying value of the property. If the asset fails that test, the asset carrying value is measured against the estimated fair value from a market participant standpoint, with the excess of the asset’s carrying value over the estimated fair value recognized as an impairment charge to earnings.

In the second quarter of 2011, we reviewed the impairment indicators as described above. As our board of directors continues to evaluate strategic alternatives to maximize shareholder value, we now believe that our properties could potentially have shorter holding periods than we previously planned in past reporting periods when estimating whether the carrying value of the properties was recoverable. The use of shorter hold periods reduced our future (undiscounted) cash flows attributable to the properties. Therefore, we were required to adjust certain properties to their estimated fair values resulting in an impairment charge of $23.2 million which was classified as” impairment of real estate” on our condensed consolidated statements of operations for the three and six months ended June 30, 2011. If our holding period assumptions change, additional properties could require additional testing and could result in additional impairment charges in future periods.

The fair value of the properties was derived using an income approach primarily utilizing level 3 inputs. This approach estimates fair value based on expected future cash flows and requires us to estimate, among other things, (1) future market rental income amounts subsequent to the expiration of current lease agreements, (2) property operating expenses, (3) risk-adjusted rate of return and capitalization rates, (4) the number of months it takes to re-lease the property and (5) the number of years the property is held for investment. A change in any one or more of these factors could materially impact whether a property is impaired as of any given valuation date. When available, current market information, such as comparative sales price, was used to determine capitalization, discount, and rental growth rates. In cases where market information was not readily available, the inputs were based on our understanding of market conditions and the experience of our management team.

The following table illustrates by property the impairment charge recorded to impairment of real estate for the three and six months ended June 30, 2011:

Property	Impairment Charge
20100 Western Avenue	$ 6,905,000
Carter	1,471,000
Goldenrod	3,403,000
Hanging Moss	2,544,000
Monroe North Commerce Center	4,530,000
Monroe South	4,366,000
	$23,219,000

Held for Sale

When assets are classified as held for sale, they are recorded at the lower of carrying value or the estimated fair value of the asset, net of estimated selling costs. Accordingly, we also recorded an impairment change of $19.3 million to our Goldenwest, Mack Deer Valley, Pinnacle Park, and 2111 South Industrial properties upon their transfer into properties held for sale in the second quarter of 2011 (see Note 15).

The following table illustrates by property the impairment charge recorded for the three and six months ended June 30, 2011:

Property	Impairment Charge
Mack Deer Valley	$ 9,674,000
Pinnacle Park Business center	7,279,000
2111 South Industrial Park	97,000
Goldenwest	2,223,000
	$19,273,000

The Goldenwest property was sold on June 14, 2011. The financial results for Goldenwest, and the properties currently classified as held for sale, have been reclassified to discontinued operations for all periods presented (see Note 15).

As of June 30, 2011, our portfolio, including properties held for sale, consists of twelve properties which were approximately 79.3% leased. The following table provides summary information regarding our properties.

Held for Use

Property	Location	Date Purchased	Square Footage	Purchase Price	Debt	June 30, 2011 % Leased
2111 South Industrial Park	North Tempe, AZ	June 1, 2006	26,800	$ 1,975,000	$ —	82.1%
Shoemaker Industrial Buildings	Santa Fe Springs, CA	June 30, 2006	18,921	2,400,000	—	100.0%
20100 Western Avenue	Torrance, CA	December 1, 2006	116,433	19,650,000	1,786,000	74.2%
Mack Deer Valley	Phoenix, AZ	January 21, 2007	180,985	23,150,000	1,469,000	94.6%
Marathon Center	Tampa Bay, FL	April 2, 2007	52,020	4,450,000	—	26.1%
Pinnacle Park Business Center	Phoenix, AZ	October 2, 2007	159,661	20,050,000	1,730,000	100.0%
Orlando Small Bay Portfolio						
Carter	Winter Garden, FL	November 15, 2007	49,125			50.4%
Goldenrod	Orlando, FL	November 15, 2007	78,646			85.8%
Hanging Moss	Orlando, FL	November 15, 2007	94,200			93.3%
Monroe South	Sanford, FL	November 15, 2007	172,500			57.9%
Orlando Small Bay Portfolio			394,471	37,128,000	15,860,000	
Monroe North Commerce Center	Sanford, FL	April 17, 2008	181,348	14,275,000	6,784,000	78.5%
1830 Santa Fe	Santa Ana, CA	August 5, 2010	12,200	1,315,000	—	100.0%
			1,142,839	$124,393,000	$27,629,000	79.3%

As of June 30, 2011, cost and accumulated depreciation and amortization related to real estate assets and related lease intangibles were as follows:

	Land	Buildings and Improvements	Acquired Above-Market Leases	In-Place Lease Value	Acquired Below-Market Leases
Investments in real estate	$11,461,000	$37,004,000	$ 1,401,000	$ 1,181,000	$ (621,000)
Less: accumulated depreciation and amortization	—	(2,343,000)	(1,355,000)	(1,109,000)	555,000
Net investments in real estate and related lease intangibles from continuing operations	11,461,000	34,661,000	46,000	72,000	(66,000)
Net investments in real estate and related lease intangibles held for sale	7,792,000	16,506,000	65,000	152,000	(27,000)
	$19,253,000	$51,167,000	$ 111,000	$ 224,000	$ (93,000)

As of December 31, 2010, cost and accumulated depreciation and amortization related to real estate assets and related lease intangibles were as follows:

	Land	Buildings and Improvements	Acquired Above-Market Leases	In-Place Lease Value	Acquired Below-Market Leases
Investment in real estate	$18,073,000	$57,847,000	$ 1,401,000	$ 1,181,000	$ (620,000)
Less: accumulated depreciation and amortization	—	(5,926,000)	(1,334,000)	(1,069,000)	532,000
Net investments in real estate and related lease intangibles from continuing operations	18,073,000	51,921,000	67,000	112,000	(88,000)
Net investments in real estate and related lease intangibles held for sale	20,607,000	32,198,000	84,000	199,000	(39,000)
	$38,680,000	$84,119,000	$ 151,000	$ 311,000	$ (127,000)

Depreciation expense associated with buildings and improvements and site improvements for the three months ended June 30, 2011 and 2010 was $0.5 million and $0.5 million, respectively. Depreciation expense associated with buildings and improvements and site improvements for the six months ended June 30, 2011 and 2010 was $1.0 million and $1.0 million respectively. We are required to make subjective assessments as to the useful lives of our depreciable assets. In making such assessments, we consider the assets expected period of future economic benefit to estimate the appropriate useful lives.

Net amortization expense associated with the lease intangible assets and liabilities for the three months ended June 30, 2011 and 2010 was $17,000 and $42,000, respectively. Net amortization expense associated with the lease intangible assets and liabilities for the six months ended June 30, 2011 and 2010 was $38,000 million and $91,000 million, respectively. Estimated net amortization expense for July 1, 2011 through December 31, 2011 and each of the subsequent years is as follows:

	Lease Intangibles Amortization
July 1, 2011 to December 31, 2011	$87,000
2012	$82,000
2013	$51,000
2014	$12,000
2015	$10,000

The estimated useful lives for lease intangibles range from approximately one month to four years. As of June 30, 2011, the weighted-average amortization period for in-place leases, acquired above market leases and acquired below market leases were 4.1 years, 4.7 years and 3.5 years, respectively.

Leasing Commissions

Leasing commissions are stated at cost and amortized on a straight-line basis over the related lease term. As of June 30, 2011 and December 31, 2010, we had recorded approximately $0.5 million and $0.5 million in leasing commissions, respectively. Amortization expense for the three months ended June 30, 2011 and 2010 was approximately $27,000 and $14,000, respectively. Amortization expense for the six months ended June 30, 2011 and 2010 was approximately $49,000 and $27,000, respectively.

5. Allowance for Doubtful Accounts

Our allowance for doubtful accounts was $0.3 million and $0.4 million as of June 30, 2011 and December 31, 2010, respectively.

6. Concentration of Risk

Financial instruments that potentially subject us to a concentration of credit risk are primarily cash investments, notes receivable and note receivable from related party. Refer to Notes 7 and 8 below with regard to credit risk evaluation of notes receivable and note receivable from related party. Cash is generally invested in investment-grade short-term instruments. On July 21, 2010, President Obama signed into law the "Dodd-Frank Wall Street Reform and Consumer Protection Act" that implements far-reaching changes to the regulation of the financial services industry, including provisions that made permanent the $250,000 limit for federal deposit insurance and increased the cash limit of Securities Investor Protection Corporation protection from $100,000 to $250,000, and provided unlimited federal deposit insurance until January 1, 2013, for non-interest bearing demand transaction accounts at all insured depository institutions. As of June 30, 2011, none of our depository accounts are in excess of the federal deposit insurance nor SIPC insured limits, as such, we do not have credit risks related to these depository accounts.

As of June 30, 2011, we owned three properties in the state of California, three properties in the state of Arizona and six properties in the state of Florida. Accordingly, there is a geographic concentration of risk subject to fluctuations in each State's economy.

7. Notes Receivable

Pursuant to agreements originally entered into in May 2008, and amended in March 2009 and May 2010, we committed to loan up to $8.75 million at a rate of 10% per annum to two real estate operating companies, Servant Investments, LLC and Servant Healthcare Investments, LLC (collectively, "Servant"). The commitment was fully funded in December 2010, and the loans mature on May 19, 2013. Servant is party to an alliance with the managing member of our Advisor.

On a quarterly basis, we evaluate the collectability of our notes receivable. Our evaluation of collectability involves judgment, estimates, and a review of the underlying collateral and borrower's business models and future. During the quarter ended September 30, 2009, we concluded that the collectability of the Servant Investments, LLC note could not be reasonably assured and therefore, we recorded a reserve of $4.75 million against the note balance. As of June 30, 2011 and December 31, 2010, the Servant Investments, LLC note receivable had a net balance of $0. It is our policy to recognize interest income on the reserved loan on a cash basis. For the three months ended June 30, 2011 and 2010, interest income related to the notes receivable was $0 and $0.1 million, respectively. For the six months ended June 30, 2011 and 2010, interest income from the note was $0 million and $0.2 million, respectively.

The note receivable from Servant Healthcare Investments, LLC is secured by fees to be earned by Servant under a subadvisory agreement with our advisor. During the quarter ended June 30, 2011, after evaluating the expected effects of changes in the borrower's business prospects, including the uncertainty surrounding Servant's realization of the fees pursuant to the subadvisory agreement, we concluded that it was probable that the Company would be unable to collect all amounts due according to terms of the Servant Healthcare Investments, LLC note and consequently, we recorded a note receivable impairment of $1.65 million against the balance of that note.

The following table reconciles the notes receivable balance from January 1, 2011 to June 30, 2011 and January 1, 2010 to June 30, 2010**:**

	2011	2010
Beginning Balance	$ 4,000,000	$2,875,000
Additions:		
Additions to note receivable	—	500,000
Deductions:		
Note receivable repayments	(150,000)	—
Note receivable impairments	(1,650,000)	—
Ending Balance	$ 2,200,000	$3,375,000

We continue to explore repayment alternatives with Servant Healthcare Investments, LLC. As of June 30, 2011 and December 31, 2010, the note receivable had a balance of $2.2 million and $4.0 million respectively. For the three months ended June 30, 2011 and 2010, interest income related to the note receivable was $0.1 million and $0.2 million, respectively. For the six months ended June 30, 2011 and 2010, interest income from the note was $0.2 million and $0.2 million, respectively (See Note 6 Concentration of Risk for further details).

8. Note Receivable from Related Party

On December 14, 2009, we made a participating first mortgage loan commitment of $8.0 million to Nantucket Acquisition LLC, a Delaware limited liability company owned and managed by Cornerstone Ventures Inc., an affiliate of our Advisor. The loan was made in connection with Nantucket Acquisition's purchase of a 60-unit senior living community known as Sherburne Commons located on the island of Nantucket, MA. The loan matures on January 1, 2015, with no option to extend and bears interest at a fixed rate of 8.0% for the term of the loan. Interest will be paid monthly with principal due at maturity. Under the terms of the loan, we are entitled to receive additional interest in the form of a 40% participation in the "shared appreciation" of the property, which is calculated based on the net sales proceeds if the property is sold, or the property's appraised value, less ordinary disposition costs, if the property has not been sold by the time the loan matures. Prepayment of the loan is not permitted without our consent and the loan is not assumable.

Leasing at Sherburne Commons has been lower than budgeted and, to preserve cash flow for operating requirements, the borrower suspended interest payments to us beginning in the first quarter of 2011. Consequently, we began recognizing interest income on a cash basis commencing in the first quarter of 2011. In the second quarter of 2011, the loan balance was increased by $0.3 million to provide funds to meet Sherburne Commons operating shortfalls. It is anticipated that additional disbursements may be required.

For the three months ended June 30, 2011 and 2010, interest income recognized from the note was $0 and $0.2 million, respectively. For the six months ended June 30, 2011 and 2010, interest income recognized from the note was approximately $55,000 and $0.3 million, respectively.

On a quarterly basis, we evaluate the collectability of our notes receivable from related parties. Our evaluation of collectability involves judgment, estimates, and a review of the underlying collateral and borrower's business models and future. For the three months ended June 30, 2011 and June 30, 2010, we did not record any impairment on the note receivable from related party.

The following table reconciles the note receivable from related party from January 1, 2011 to June 30, 2011 and January 1, 2010 to June 30, 2010**:**

	2011	2010
Beginning Balance	$8,000,000	$6,911,000
Additions:		
Additions to note receivable from related parties	318,000	1,009,000
Deductions:		
Repayments of note receivable from related parties	—	—
Ending Balance	$8,318,000	$7,920,000

As of June 30, 2011 and December 31, 2010, the loan balance was $8.3 million and $8.0 million, respectively.

Nantucket Acquisition LLC is considered a variable interest entity because the equity owners of the Nantucket Acquisition LLC do not have sufficient equity at risk, and our mortgage loan commitment was determined to be a variable interest. Due to the suspension of interest payments by the borrower, we issued a notice of default to the borrower on June 30, 2011 and determined that we are the primary beneficiary of the VIE due to our enhanced ability to direct the activities of the VIE. The primary beneficiary of a VIE is required to consolidate the operations of the VIE. Consequently, we have consolidated the operations of the VIE as of June 30, 2011 and, accordingly, eliminated the note balance in consolidation (see Note 9).

9. Consolidation of Variable Interest Entity

GAAP requires the consolidation of variable interest entities ("VIE") in which an enterprise has a controlling financial interest. A controlling financial interest has both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the VIEs economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

In compliance with accounting rules, we analyze our VIEs to determine whether we are the primary beneficiary by considering, among other things, whether we have the power to direct the activities of the VIE that most significantly impact its economic performance. Such activities would include, among other things, determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, or arranging financing for the VIE. We also consider whether we have the obligation to absorb losses of the VIE or the right to receive benefits from the VIE.

As of June 30, 2011, we had a variable interest in one VIE in the form of the aforementioned note receivable from Nantucket Acquisition, LLC in the amount of $8.3 million (see Note 8).

As a result of our issuing a notice of default with respect to the note, we determined that we were the primary beneficiary of the VIE, and therefore are required to consolidate the operations of the VIE as of June 30, 2011. We are in the process of completing the analysis to derive the fair value of all assets and liabilities of Sherburne Commons required to be consolidated in our financial statements. This analysis will be completed during the quarter ended September 30, 2011. The following illustrates our preliminary fair value allocation of assets and liabilities of Sherburne Commons consolidated in our condensed consolidated balance sheet as of June 30, 2011:

Cash and cash equivalents	$ 236,000
Investments in real estate	9,638,000
Accounts receivable and other assets	195,000
Accounts payable and accrued liabilities	(289,000)
Interest payable	(57,000)
Loan payable	(128,000)
Note payable	(1,332,000)
Total net assets	$ 8,263,000

The following unaudited pro forma information for the three and six months ended June 30, 2011 and 2010 has been prepared to reflect the incremental effect of the consolidation of the operations of Sherburne Commons as if the VIE had been consolidated on January 1, 2010.

	Three months Ended June 30, 2011	Three months Ended June 30, 2010
Revenues	$ 1,661,277	$1,877,183
Net loss	$(45,378,579)	$ (557,338)
Basic and diluted net loss per common share attributable to common stockholders	$ (1.93)	$ (0.02)

	Six months Ended June 30, 2011	Six months Ended June 30, 2010
Revenues	$ 3,287,107	$ 3,893,659
Net loss	$(46,680,859)	$(1,042,236)
Basic and diluted net loss per common share attributable to common stockholders	$ (1.99)	$ (0.05)

No adjustments for non-recurring charges were made in the pro-forma information presented above. We recorded no revenues or expenses for the VIE in our three and six months ended June 30, 2011 statement of operations as we determined that we were primary beneficiary on June 30, 2011.

10. Payable to Related Parties

Payable to related parties of $0.1 million at June 30, 2011 consists of disposition fees and expense reimbursements payable to the Advisor.

11. Equity

Common Stock

Our articles of incorporation authorize 290,000,000 shares of common stock with a par value of $0.001 and 10,000,000 shares of preferred stock with a par value of $0.001. As of June 30, 2011 and December 31, 2010, we had cumulatively issued approximately 20.9 million shares of common stock for a total of approximately $167.1 million of gross proceeds, exclusive of shares issued under our distribution reinvestment plan. On November 23, 2010, we stopped making and accepting offers to purchase shares of our stock (see Note 1).

Distributions

We have adopted a distribution reinvestment plan that allows our stockholders to have distributions and other distributions otherwise distributable to them invested in additional shares of our common stock. We have registered 21,100,000 shares of our common stock for sale pursuant to the distribution reinvestment plan. The purchase price per share is 95% of the price paid by the purchaser for our common stock, but not less than $7.60 per share. As of June 30, 2011 and December 31, 2010, approximately 2.3 million shares had been issued under the distribution reinvestment plan. On November 23, 2010, our board of directors approved the amendment to our operating agreement to terminate the distribution reinvestment plan indefinitely effective December 14, 2010. As a result, distributions were paid entirely in cash during the period between December 14, 2010 and March 31, 2011. Commencing with the April 2011 distributions, the board elected to pay distributions on aquarterly basis. However, due to cash constraints, the board has elected to defer the second quarter 2011 distribution payment until the Company’s cash position improves.

We cannot provide any assurance regarding if or when we will resume our distribution reinvestment plan.

The following are the distributions declared during the six months ended June 30, 2011 and 2010:

Period	Distribution Declared (2)			Cash flows from operating activities
	Cash	**Reinvested**	**Total**	
First quarter 2010 **(1)**	$1,221,000	$1,490,000	$2,711,000	$1,103,000
Second quarter 2010 **(1)**	$1,256,000	$1,468,000	$2,724,000	$ 461,000
First quarter 2011	$ 454,000	$ —	$ 454,000	$ 481,000
Second quarter 2011	$ 468,000	$ —	$ 468,000	$ (219,000)

(1) Distributions declared represented a return of capital for tax purposes.

(2) In order to meet the requirements for being treated as a REIT under the Internal Revenue Code, we must pay distributions to our shareholders each taxable year equal to at least 90% of our net ordinary taxable income. Some of our distributions have been paid from sources other than operating cash flow, such as offering proceeds. Until proceeds from our offering are fully invested and generating operating cash flow sufficient to fully cover distributions to stockholders, we intend to pay a portion of our distributions from the proceeds of our offering or from borrowings in anticipation of future cash flow.

The declaration of distributions is at the discretion of our board of directors and our board will determine the amount of distributions on a regular basis. The amount of distributions will depend on our funds from operations, financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code and other factors our board of directors deem relevant. On November 23, 2010, our board of directors resolved to lower our distributions to an annualized rate of $0.08 per share (1% based on a share price of $8.00). No distributions have been declared for periods after June 30, 2011. The rate and frequency of distributions is subject to the discretion of our board of directors and may change from time to time based on our operating results and cash flow.

From our inception in October 2004 through June 30, 2011, we declared aggregate distributions of $32.8 million. Our cumulative net loss and cumulative cash flows from operations during the same period were $62.3 million and $6.6 million, respectively.

Stock Repurchase Program

On November 23, 2010, our board of directors concluded that we would not have sufficient funds available to us to fund any redemptions during 2011. Accordingly, our board of directors suspended our stock repurchase program to suspend redemptions under the program effective December 31, 2010. The redemptions paid in January 2011 were requested in December 2010 prior to the suspension of the stock repurchase program. We can make no assurance as to when and on what terms redemptions will resume. Our board has the authority to resume, suspend again, or terminate the share redemption program at any time upon 30 days written notice to our stockholders. Our board of directors may modify our stock repurchase program so that we can redeem stock using the proceeds from the sale of our real estate investments or other sources.

During the six months ended June 30, 2011, we redeemed shares pursuant to our stock repurchase program as follows:

Period	Total Number of Shares Redeemed	Average Price Paid per Share
January	47,146	$7.82
February	—	$ —
March	—	$ —
April	—	$ —
May	—	$ —
June	—	$ —
	47,146	

We have received requests to redeem 19,694 shares during this period, however, due to the current suspension of the stock repurchase program we were not able to fulfill any of these requests.

During the six months ended June 30, 2010, we redeemed shares pursuant to our stock repurchase program as follows:

Period	Total Number of Shares Redeemed	Average Price Paid per Share
January 2010	249,146	$7.46
February 2010	100,999	$7.63
March 2010	159,479	$7.76
April 2010	161,356	$7.82
May 2010	123,562	$7.64
June 2010	39,821	$7.98
	834,363	

Employee and Director Incentive Stock Plan

We have adopted an Employee and Director Incentive Stock Plan ("the Plan") which provides for the grant of awards to directors, full-time employees, and other eligible participants that provide services to us. We have no employees, and we do not intend to grant awards under the Plan to persons who are not directors. Awards granted under the Plan may consist of nonqualified stock options, incentive stock options, restricted stock, share appreciation rights, and distribution equivalent rights. The term of the Plan is 10 years. The total number of shares of common stock reserved for issuance under the Plan is equal to 10% of our outstanding shares of stock at any time.

Effective January 1, 2006, we adopted the provisions of, FASB ASC 718-10*, Compensation — Stock Compensation*, which requires the measurement and recognition of compensation expense for all share-based payment awards to employees and directors based on estimated fair values. On August 6, 2008 and August 8, 2007, we granted our non-employee directors nonqualified stock options to purchase an aggregate of 20,000 and 20,000 shares of common stock, respectively, at an exercise price of $8.00 per share. Of these options, 15,000 lapsed on November 8, 2008 due to the resignation of one director from the board of directors on August 6, 2008. Outstanding stock options became immediately exercisable in full on the grant date, expire ten years after the grant date, and have no intrinsic value as of June 30, 2011. For the three and six months ended June 30, 2011 and 2010, we did not incur any non-cash compensation expenses. No stock options were exercised or canceled during the three and six months ended June 30, 2011 and 2010. In connection with the registration of the

shares in our follow-on offering, we have suspended the issuance of options to our independent directors under the Plan, and we do not expect to issue additional options to our independent directors until we cease offering shares pursuant to our offering.

12. Related Party Transactions

Our company has no employees. The Advisor is primarily responsible for managing our business affairs and carrying out the directives of our board of directors. We have an advisory agreement with the Advisor and a dealer manager agreement with PCC which entitle the Advisor and PCC to specified fees upon the provision of certain services with regard to our offerings and investment of funds in real estate projects, among other services, as well as reimbursement for organizational and offering costs incurred by the Advisor and PCC on our behalf and reimbursement of certain costs and expenses incurred by the Advisor in providing services to us.

Advisory Agreement

Under the terms of the advisory agreement, the Advisor will use commercially reasonable efforts to present to us investment opportunities to provide a continuing and suitable investment program consistent with the investment policies and objectives adopted by our board of directors. The advisory agreement calls for the Advisor to provide for our day-to-day management and to retain property managers and leasing agents, subject to the authority of our board of directors, and to perform other duties.

The fees and expense reimbursements payable to the Advisor under the advisory agreement are described below.

Organizational and Offering Costs. Organizational and offering costs of our offerings are being paid by the Advisor on our behalf and will be reimbursed to the Advisor from the proceeds of our offerings. Organizational and offering costs consist of all expenses (other than sales commissions and the dealer manager fee) to be paid by us in connection with our offerings, including our legal, accounting, printing, mailing and filing fees, charges of our escrow holder and other accountable offering expenses, including, but not limited to, (i) amounts to reimburse the Advisor for all marketing related costs and expenses such as salaries and direct expenses of employees of the Advisor and its affiliates in connection with registering and marketing our shares (ii) technology costs associated with our offering of our shares; (iii) our costs of conducting our training and education meetings; (iv) our costs of attending retail seminars conducted by participating broker-dealers; and (v) payment or reimbursement of bona fide due diligence expenses. In no event will we have any obligation to reimburse the Advisor for organizational and offering costs totaling in excess of 3.5% of the gross proceeds from our initial public offering and follow-on offering. At times during our offering stage, before the maximum amount of gross proceeds has been raised, the amount of organization and offering expenses that we incur, or that our advisor and its affiliates incur on our behalf, may exceed 3.5% of the gross offering proceeds then raised. In no event will we have any obligation to reimburse the advisor for organizational and offering costs totaling in excess of 3.5% of the gross proceeds from our public offerings at the conclusion of our offerings.

As of June 30, 2011, the Advisor and its affiliates had incurred on our behalf organizational and offering costs totaling approximately $5.6 million, including approximately $0.1 million of organizational costs that was expensed and approximately $5.5 million of offering costs which reduce net proceeds of our offerings. Of this amount, $4.4 million reduced the net proceeds of our initial public offering and $1.1 million reduced the net proceeds of our follow-on offering. As of December 31, 2010, the Advisor and its affiliates had incurred on our behalf organizational and offering costs totaling approximately $5.6 million, including approximately $0.1 million of organizational costs that have been expensed and approximately $5.5 million of offering costs which reduced net proceeds of our offerings. Of this amount, $4.5 million reduced the net proceeds of our initial public offering and $1.1 million reduced the net proceeds of our follow-on offering.

Acquisition Fees and Expenses. The advisory agreement requires us to pay the Advisor acquisition fees in an amount equal to 2% of the gross proceeds of our primary offering. We will pay the acquisition fees upon receipt of the gross proceeds from our primary offering. However, if the advisory agreement is terminated or not renewed, the Advisor must return acquisition fees not yet allocated to one of our investments. In addition, we are required to reimburse the Advisor for direct costs the Advisor incurs and amounts the Advisor pays to third parties in connection with the selection and acquisition of a property, whether or not ultimately acquired. For the three months ended June 30, 2011 and 2010, the Advisor earned approximately $0 and $8,000 of acquisition fees, respectively, and are included in real estate acquisition costs of our condensed consolidated statement of operations. For the six months ended June 30, 2011 and 2010, the Advisor earned approximately $0 and $21,000 of acquisition fees, respectively, and are included in real estate acquisition costs of our condensed consolidated statement of operations.

Management Fees. The advisory agreement requires us to pay the Advisor a monthly asset management fee of one-twelfth of 1.0% of the sum of the aggregate book basis carrying values of our assets invested, directly or indirectly, in equity interests in and loans secured by real estate before reserves for depreciation or bad debts or other similar non-cash reserves, calculated in accordance with generally accepted accounting principles in the United States of America ("GAAP"). For the three months ended June 30, 2011 and 2010, the Advisor earned $0.4 million and $0.4 million, respectively of asset management fees, which were expensed and included in asset management fees in our condensed consolidated statement of operations. For the six months ended June 30, 2011 and 2010, the Advisor earned $0.8 million and $0.8 million, respectively of asset management fees, which were expensed and included in asset management fees in our condensed consolidated statement of operations. In addition, we reimburse the Advisor for the direct and indirect costs and expenses incurred by the Advisor in providing asset management services to us, including personnel and related employment costs related to providing asset management services on our behalf. These fees and expenses are in addition to management fees that we pay to third party property managers. For the three months ended June 30, 2011 and 2010, the Advisor reimbursed $40,000 and $42,000, respectively, of such direct and indirect costs and expenses on our behalf, which are included in asset management fees and expenses in our condensed consolidated statement of operations. For the six months ended June 30, 2011 and 2010, the Advisor earned $85,000 and $80,000, respectively, of such direct and indirect costs and expenses on our behalf, which are included in asset management fees and expenses in our condensed consolidated statement of operations.

Operating Expenses. The advisory agreement provides for reimbursement of the Advisor's direct and indirect costs of providing administrative and management services to us. For the three months ended June 30, 2011 and 2010, $0.2 million of such costs, were reimbursed and included in general and administrative expenses in our condensed consolidated statement of operations. For the six months ended June 30, 2011 and 2010, $0.5 million and $0.4 million of such costs, respectively, were reimbursed and included in general and administrative expenses in our condensed consolidated statement of operations. The Advisor must pay or reimburse us the amount by which our aggregate annual operating expenses exceed the greater of 2% of our average invested assets or 25% of our net income unless a majority of our independent directors determine that such excess expenses were justified based on unusual and non-recurring factors.

Property Management Fees. The advisory agreement provides that if we retain our Advisor or an affiliate to manage and lease some of our properties, we will pay a market-based property management fee or property leasing fee, which may include reimbursement of our advisor's or affiliate's personnel costs and other costs of managing the properties. For the three months ended June 30, 2011 and 2010, the advisor earned approximately $5,000 and $4,000, respectively, of such property management fees, which are included in property operating and maintenance expenses. For the six months ended June 30, 2011 and 2010, the advisor earned approximately $11,000 and $12,000, respectively, of such property management fees, which are included in property operating and maintenance expenses.

Disposition Fee. The advisory agreement provides that if the Advisor or its affiliates provide a substantial amount of the services (as determined by a majority of our directors, including a majority of our independent directors) in connection with the sale of one or more properties, we will pay the Advisor or such affiliate shall receive at closing a disposition fee up to 3% of the sales price of such property or properties. This 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 us for each property shall not exceed an amount equal to the lesser of (i) 6% of the aggregate contract sales price of each property or (ii) the competitive real estate commission for each property. We will pay the disposition fees for a property at the time the property is sold. For the three and six months ended June 30, 2011, the Advisor earned $94,000 of disposition fees. We did not incur any such fees in 2010.

Subordinated Participation Provisions. The Advisor is entitled to receive a subordinated participation upon the sale of our properties, listing of our common stock or termination of the Advisor, as follows:

- After stockholders have received cumulative distributions equal to $8.00 per share (less any returns of capital) plus cumulative, non-compounded annual returns on net invested capital, the Advisor will be paid a subordinated participation in net sale proceeds ranging from a low of 5% of net sales provided investors have earned annualized returns of 6% to a high of 15% of net sales proceeds if investors have earned annualized returns of 10% or more.
- Upon termination of the advisory agreement, the Advisor will receive the subordinated performance fee due upon termination. This fee ranges from a low of 5% of the amount by which the sum of the appraised value of our assets minus our liabilities on the date the advisory agreement is terminated plus total distributions (other than stock distributions) paid prior to termination of the advisory agreement exceeds the amount of invested capital plus annualized returns of 6%, to a high of 15% of the amount by which the sum of the appraised value of our assets minus its liabilities plus all prior distributions (other than stock distributions) exceeds the amount of invested capital plus annualized returns of 10% or more.

- In the event we list our stock for trading, the Advisor will receive a subordinated incentive listing fee instead of a subordinated participation in net sales proceeds. This fee ranges from a low of 5% of the amount by which the market value of our common stock plus all prior distributions (other than stock distributions) exceeds the amount of invested capital plus annualized returns of 6%, to a high of 15% of the amount by which the sum of the market value of our stock plus all prior distributions (other than stock distributions) exceeds the amount of invested capital plus annualized returns of 10% or more.

Dealer Manager Agreement

PCC, as dealer manager, is entitled to receive a sales commission of up to 7% of gross proceeds from sales in our primary offerings. PCC, as dealer manager, is also entitled to receive a dealer manager fee equal to up to 3% of gross proceeds from sales in our primary offerings. The dealer manager is also entitled to receive a reimbursement of bona fide due diligence expenses up to 0.5% of the gross proceeds from sales in our primary offerings. The advisory agreement requires the Advisor to reimburse us to the extent that offering expenses including sales commissions, dealer manager fees and organization and offering expenses (but excluding acquisition fees and acquisition expenses discussed above) in excess of 13.5% of gross proceeds from our offerings. For the three months ended June 30, 2011 and 2010, our dealer manager earned sales commission and dealer manager fees of approximately $0 and $40,000, respectively. For the six months ended June 30, 2011 and 2010, our dealer manager earned sales commission and dealer manager fees of approximately $0 and $93,000, respectively. Dealer manager fees and sales commissions paid to PCC are a cost of capital raised and, as such, are included as a reduction of additional paid in capital in the accompanying condensed consolidated balance sheets.

13. Notes Payable

We have total debt obligations of $27.6 million, including $3.2 million classified as liabilities associated with property held for sale, that will mature in December 2011 and February 2012. We are pursuing options for restructuring these debts and other repayment alternatives, including asset sales, sourcing additional equity capital and obtaining new financing that will reposition the assets. However, there can be no assurance that we will be successful in executing such debt restructuring or repayment options. If we are unable to obtain alternative financing or sell properties in order to repay the debt, this could result in the lenders foreclosing on properties. Based on the various options available to us and ongoing discussions with our lenders, management believes that we will be able to meet or successfully restructure our debt obligations.

In connection with our notes payable, we had incurred financing costs totaling $0.4 million and $2.0 million, as of June 30, 2011 and December 31, 2010, respectively. These financing costs have been capitalized and are being amortized over the life of the agreements. For the three months ended June 30, 2011 and 2010, approximately $117,000 and $53,000, respectively, of deferred financing costs were amortized and included in interest expense in the condensed consolidated statements of operations. For the six months ended June 30, 2011 and 2010, approximately $200,000 and $105,000, respectively, of deferred financing costs were amortized and included in interest expense in the condensed consolidated statements of operations.

HSH Nordbank AG

We amended our credit agreement with HSH Nordbank AG, New York Branch in a series of amendments extending the credit facility maturity date from September 20, 2010 to September 30, 2011. As a part of these amendments, we made a principal reduction payment of approximately $2.8 million and paid extension fees of $130,000 during 2010. In addition, the amendment to the credit agreement requires us to use commercially reasonable efforts to pay off the outstanding principal balance of the loan with proceeds from refinancing with an unaffiliated lender or from the sale of one or more of our properties in one or more arm’s length all-cash transactions.

We amended the credit agreement again in July 2011, extending the maturity date to December 16, 2011 and increasing the margin spread over LIBOR from a range of 350 to 375 basis points to a fixed 375 basis points from June 1, 2011 to September 30, 2011 and to 400 basis points from October 1, 2011 to the maturity date. Additionally, this amendment eliminated our requirement to make principal reduction payments of $0.3 million in July, August, and September 2011. We may not draw additional funds under this credit agreement. In connection with this extension and the sale of the Goldenwest property (See Note 15), we made a principal payment of approximately $7.8 million.

As of June 30, 2011 and December 31, 2010, the outstanding principal amount of our obligations under the credit agreement was approximately $5.0 million and $13.1 million, respectively. The weighted average interest rate as of June 30, 2011 and December 31, 2010 was 3.76% and 2.11%, respectively. The facility contains various covenants including financial covenants with respect to

consolidated interest and fixed charge coverage and secured debt to secured asset value. As of June 30, 2011, we were in compliance with all these financial covenants.

Wells Fargo Bank, National Association

On November 13, 2007, we entered into a loan agreement with Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, N.A to facilitate the acquisition of properties during our offering period. The terms of the secured loan agreement provided for a borrowing amount of up to $22.4 million, which was reduced to $15.9 million as of November 31, 2009, at an interest rate of 140 basis points over 30-day LIBOR, secured by specified real estate properties. The loan agreement had a maturity date of November 13, 2010, and provided for prepayment without penalty. Through a series of amendments through June 30, 2011, we have extended the maturity date from November 13, 2010 to August 13, 2011.

On August 12, 2011, the agreement was amended to extend the maturity to February 2012. In connection with this amendment, the 2111 South Industrial Park and Shoemaker Industrial buildings were added to the loan collateral, and we made a principal payment of $0.5 million. The terms of the amended loan provide for two one-year extensions, subject to meeting certain loan-to-value and debt service coverage ratios and require monthly principal payments. Interest on the amended loan increased to 300 basis points over the one-month LIBOR with a 150 basis point LIBOR floor.

The entire $22.4 million available under the terms of the loan was used to finance an acquisition of properties that closed on November 15, 2007. As of June 30, 2011 and December 31, 2010, we had net borrowings of $15.9 million under the loan agreement. The weighted average interest rate as of June 30, 2011 and December 31, 2010 was 1.63% and 1.66%, respectively. This loan agreement contains various reporting covenants including providing periodic balance sheet, statements of income and expenses of borrower and each guarantor, statement of income and expenses and changes in financial position of each secured property and cash flow statements of borrower and each guarantor. As of June 30, 2011, we were in compliance with all financial covenants.

Transamerica Life Insurance Company

In connection with our acquisition of Monroe North CommerCenter, on April 17, 2008, we entered into an assumption and amendment of note, mortgage and other loan documents (the “Loan Assumption Agreement”) with Transamerica Life Insurance Company (“Transamerica”). Pursuant to the Loan Assumption Agreement, we assumed the outstanding principal balance of approximately $7.4 million on the Transamerica secured mortgage loan. The loan matures on November 1, 2014 and bears interest at a fixed rate of 5.89% per annum. As of June 30, 2011 and December 31, 2010, we have an outstanding balance of approximately $6.8 million and $6.9 million, respectively, under this loan agreement. This Loan Assumption Agreement contains various reporting covenants including annual income statement, rent roll, operating budget and narrative summary of leasing prospects for vacant spaces. As of June 30, 2011, we were in compliance with all these reporting covenants. The monthly payment on this loan is approximately $50,370. During the three months ended June 30, 2011 and 2010, we incurred $0.1 million of interest expense, related to this loan agreement. During the six months ended June 30, 2011 and 2010, we incurred $0.2 million of interest expense, related to this loan agreement.

The principal payments due on Monroe North CommerCenter mortgage loan for July 1, 2011 to December 31, 2011 and each of the subsequent years is as follows:

Year	Principal amount
July 1, 2011 to December 31, 2011	$ 103,000
2012	$ 217,000
2013	$ 230,000
2014	$6,234,000

14. Commitments and Contingencies

We monitor our properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environment liability does not exist, we are not currently aware of any environmental liability with respect to the properties that would have a material effect on our financial condition, results of operations and cash flows. Further, we are not aware of any environmental liability or any unasserted claim or assessment with respect to an environmental liability that we believe would require additional disclosure or the recording of a loss contingency.

Our commitments and contingencies include the usual obligations of real estate owners and operators in the normal course of business. In the opinion of management, these matters are not expected to have a material impact on our consolidated financial position, results of operations, and cash flows. We are also subject to contingent losses related to the notes receivable and note receivable from related party. For further details see Note 7 and 8. We are not presently subject to any material litigation nor, to our knowledge, any material litigation threatened against us which if determined unfavorably to us would have a material adverse effect on our cash flows, financial condition or results of operations.

15. Discontinued Operations

Divestitures

In accordance with FASB ASC 360-10, *Property, Plant & Equipment*, we report results of operations from real estate assets that meet the definition of a component of an entity that have been sold, or meet the criteria to be classified as held for sale, as discontinued operations.

On June 14, 2011, our wholly-owned subsidiary sold the property at 15172 Goldenwest Circle ("Goldenwest") to the Westminster Redevelopment Agency, a non-related party, for a purchase price of approximately $9.4 million. Goldenwest is a 102,200 square foot industrial building situated on 5.4 acres of land in Westminster, CA. Approximately $7.8 million in proceeds from the sale were used to pay down a portion of the credit facility with HSH Nordbank AG, New York Branch. The operations of Goldenwest, including an impairment charge of $2.2 million, are presented as loss from discontinued operations on our condensed consolidated statement of operations. Prior year results of operations have been reclassified to discontinued operations.

Held for Sale

In May 2011, our Board of Directors authorized us to actively market the Mack Deer Valley, Pinnacle Park Business Center, and 2111 South Industrial Park properties for sale. Consequently, we entered into listing agreements for these properties with national real estate brokerage firms on May 16, 2011. The assets and liabilities of properties for which we have initiated plans to sell, but have not yet sold, as of June 30, 2011 have been classified as property held for sale and liabilities associated with property held for sale on the accompanying condensed consolidated balance sheets. As of June 30, 2011, this represents the assets and liabilities of the three properties noted above. We expect the sale of the properties to close within one year. The results of operations for the above properties have been presented in loss from discontinued operations on the accompanying condensed consolidated statements of operations for all periods presented, along with losses on the revaluation of properties to their estimated fair values less cost to sell.

The following is a summary of the components of loss from discontinued operations for the three and six months ended June 30, 2011 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Rental revenues, tenant reimbursements and other income	$ 870,000	$1,168,000	$ 1,749,000	$2,277,000
Operating expenses, real estate taxes, and interest expense	295,000	289,000	663,000	589,000
Depreciation and amortization	173,000	299,000	476,000	593,000
Impairment of real estate	19,273,000	—	19,273,000	—
Net loss from discontinued operation	$(18,871,000)	$ 580,000	$(18,663,000)	$1,095,000

FASB ASC 360-10 requires that assets classified as held for sale be carried at the lesser of their carrying amount or fair value less selling costs. Consequently, we recorded an impairment charge of $19.3 million, classified as income (loss) from discountinued operations, in the second quarter of 2011 to reduce the carrying value of those properties. The fair value of the properties was derived using an income approach utilizing our internal leasing projections for each property and discount and capitalization rates derived from market surveys (see Note 4).

The following table presents balance sheet information for the properties classified as held for sale on June 30, 2011. No properties were classified as held for sale as of December 31, 2010.

	June 30, 2011
Investments in real estate	
Land	$ 7,792,000
Buildings and improvements, net	16,506,000
Intangible lease assets, net	217,000
Property held for sale, net	24,515,000
Other assets	
Tenant and other receivables, net	203,000
Prepaid expenses and other assets	16,000
Leasing commissions, net	91,000
Non-real estate assets associated with property held for sale	310,000
Total assets	$24,825,000
Liabilities	
Accounts payable, accrued liabilities and prepaid rent	$ 91,000
Real estate taxes payable	261,000
Tenant security deposits	227,000
Intangible lease liabilities, net	27,000
Loan payable	3,199,000
Liabilities associated with property held for sale	$ 3,805,000

16. Subsequent Events

Other than the amendments to the HSH Nordbank Credit Agreement and the promissory note with Wells Fargo Bank discussed in note 13, no significant events have occurred subsequent to our balance sheet date that require further disclosure or adjustment to our balances.

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

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with our financial statements and notes thereto contained elsewhere in this report.

This section contains forward-looking statements, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based. These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements should be read in light of the risks identified herein and in Part II, Item 1A herein and Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2010 filed with the U.S. Securities and Exchange Commission (the "SEC").

Overview

We were incorporated on October 22, 2004 for the purpose of engaging in the business of investing in and owning commercial real estate. On January 6, 2006, we commenced an initial public offering of up to 55,400,000 shares of our common stock, consisting of 44,400,000 shares for sale pursuant to a primary offering and 11,000,000 shares for sale pursuant to our distribution reinvestment plan. We stopped making offers under our initial public offering on June 1, 2009 upon raising gross offering proceeds of approximately $172.7 million from the sale of approximately 21.7 million shares, including shares sold under the distribution reinvestment plan. On June 10, 2009, we commenced a follow-on offering of up 77,350,000 shares of our common stock, consisting of 56,250,000 shares for sale pursuant to a primary offering and 21,100,000 shares for sale pursuant to our dividend reinvestment plan.

On November 23, 2010, management informed investors of several decisions made by our board of directors:

- Effective November 23, 2010, we discontinued making or accepting offers to purchase shares of stock in our public offering while our board of directors evaluates strategic alternatives to maximize value.
- Effective December 14, 2010, we suspended our distribution reinvestment plan. As a result, all distributions paid after that date will be in cash until further notice.
- Effective December 1, 2010, our board of directors resolved to reduce distributions on our common stock to a current annualized rate of $0.08 per share (1% based on a share price of $8.00), from the prior annualized rate of $0.48 per share (6% based on a share price of $8.00), in order to preserve capital that may be needed for capital improvements, debt repayment or other corporate purposes.
- Our board of directors approved an amendment to our stock repurchase program to suspend redemptions under the program, effective December 31, 2010.

Our board of directors continues to evaluate strategic alternatives to reposition the company and preserve and increase shareholders' value. Specifically, we are pursuing options for restructuring and repaying our debt, including asset sales, sourcing additional equity capital and obtaining new financing that will reposition the assets.

We used the net proceeds from our initial public offering to invest primarily in investment real estate including multi-tenant industrial real estate located in major metropolitan markets in the United States. At such time we resume the follow-on offering, we intend to use the net proceeds from our follow-on offering to acquire additional real estate investments and pay down temporary acquisition financing on our existing asset.

As of June 30, 2011, we had raised approximately $167.1 million of gross proceeds from the sale of approximately 20.9 million shares of our common stock in our initial public offering and follow-on offering and had acquired thirteen properties, one of which was subsequently sold.

Our revenues, which are comprised largely of rental income, include rents reported on a straight-line basis over the initial term of the lease. Our growth depends, in part, on our ability to increase rental income and other earned income from leases by increasing rental rates and occupancy levels and control operating and other expenses. Our operations are impacted by property specific, market specific, general economic and other conditions.

Market Outlook — Real Estate and Real Estate Finance Markets

Beginning in 2010, and continuing during 2011, significant and widespread concerns about credit risk and access to capital experienced during 2009 began to subside. Concerns of a double-dip recession have diminished as a number of economic indicators have improved. Increased trade volume in 2010 spurred increased leasing activity in many west coast industrial markets. However, if economic uncertainty persists, we may continue to experience significant vacancies and expect to be required to reduce rental rates on occupied space.

Despite recent positive economic indicators, both the national and most global economies have experienced continued volatility throughout 2010 and the first half of 2011. These conditions, combined with stagnant business activity and low consumer confidence, have resulted in a challenging operating environment in 2011.

As a result of the decline in general economic conditions, the U.S. commercial real estate industry has also experienced deteriorating fundamentals across all major property types and most geographic markets. These market conditions have and will likely continue to have a significant impact on our real estate investments. In addition, these market conditions have impacted our tenants' businesses, which makes it more difficult for them to meet current lease obligations and places pressure on them to negotiate favorable lease terms upon renewal in order for their businesses to remain viable. Increases in rental concessions given to retain tenants and maintain our occupancy level, which is vital to the continued success of our portfolio, has resulted in lower current cash flow. Projected future declines in rental rates, slower or potentially negative net absorption of leased space and expectations of future rental concessions, including free rent to retain tenants who are up for renewal or to sign new tenants, would result in additional decreases in cash flows.

Until market conditions are more stable, we expect to continue to limit capital expenditures, focusing on those capital expenditures that preserve value or generate rental revenue. However, if we experience an increase in vacancies, we may incur costs to re-lease properties and pay leasing commissions.

Critical Accounting Policies

There have been no material changes to our critical accounting policies as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC except as discussed in Note 3 to our financial statements contained in this report.

Results of Operations

As of June 30, 2011, we owned twelve properties. Eleven of these properties were acquired from June of 2006 through April 2008.

In August 2010, we acquired an additional property for a purchase price of approximately $1.3 million. In the second quarter of 2011, our three Arizona properties were classified as held for sale. The results of these operations are discussed below under the caption "Discontinued Operations".

Three months ended June 30, 2011 and 2010

Rental revenues and tenant reimbursements were comparable, at $1.2 million,for the three months ended June 30, 2011 and June 30, 2010.

Interest income from notes receivable decreased to $0.1 million for the three months ended June 30, 2011 from $0.3 million for the three months ended June 30, 2010 due to non-payment of interest on the loan receivable from Servant Investments LLC and the Nantucket loans in 2011.

Property operating and maintenance expense for the three months ended June 30, 2011 and the three months ended June 30, 2010 was $ 0.4 million, lower bad debt expense offset increases in repairs and maintenance and refurbishment costs.

General and administrative expense was $0.8 million for three months ended June 30, 2011 and $ 0.5 million the three months ended June 30, 2010, respectively. The increase was primarily due to increases in legal, consulting, insurance and advisor reimbursements charges. The higher legal costs resulted from the response to a tender offer made in the second quarter 2011.

Asset management fees were comparable at $0.4 million for the three months ended June 30, 2011 and the three months ended June 30, 2010.

Real estate acquisition costs decreased to $0 for the three months ended June 30, 2011 from $22,000 for the three months ended June 30, 2010 as a result of suspensding our share offering in November 2010. Acquisition fees are incurred based on proceeds raised.

Depreciation and amortization expense were comparable at $0.5 million for the three months ended June 30, 2011 and the three months ended June 30, 2010.

Interest expense was comparable at $ 0.3 million in the second quarter of 2011 and 2010.

Impairment of note receivable increased to $1.65 million in the first half of 2011 from $0 in the first half of 2010. This impairment relates to the Servant Healthcare note receivable that was determined to be impaired due to events arising in the second quarter of 2011.

Impairment of real estate increased to $23.2 million as a result of our assumption of shorter hold periods for each property used in our impairment testing brought about by our board of directors currently evaluating strategic alternatives to maximize shareholder value. These alternatives include potentially selling additional properties to repay debt as it becomes due.

Discontinued Operations

During the second quarter of 2011, we determined that the potential sale of the Mack Deer Valley, Pinnacle Park, and 2111 South Industrial properties to a third party was probable and therefore classified the properties as held for sale in accordance with ASC 360-10, *Property, Plant and Equipment.* Additionally, the results of operations for these properties, as well as that of the Goldenwest property, were reclassified to loss from discontinued operations for all periods presented. For the three months ended June 30, 2011, loss from discontinued operations increased to approximately $18.9 million from income of $0.6 million for the comparable period of 2010. The higher 2011 loss is primarily due to impairment charges on the Goldenwest, Mack Deer Valley, Pinnacle Park, and 2111 South Industrial properties totaling $19.3 million recorded in the second quarter of 2011.

Six months ended June 30, 2011 and 2010

Rental revenues and tenant reimbursements decreased to $2.3 million for the six months ended June 30, 2011 from $2.6 million for the six months ended June 30, 2010. The decrease is due to lower overall occupancy and rental rates. In the third quarter of 2010, one property, representing approximately 8% of total rentable square feet in our portfolio was vacated and has not yet been re-leased. In addition, lower average lease rental rates and longer lease up periods for vacant space had a negative effect on 2011 rental revenues and tenant reimbursements. This effect was partially offset by revenue from the acquisition of the Santa Fe property in the third quarter of 2010.

Interest income from notes receivable decreased to $0.3 million for the six months ended June 30, 2011 from $0.8 million for the six months ended June 30, 2010 due to non-payment of interest on the loan receivable from Servant Investments LLC and the Nantucket note.

Property operating and maintenance expense was $0.8 million for the six months ended June 30, 2011 and the six months ended June 30, 2010, as lower bad debt expense offset increases in repairs and maintenance and refurbishment costs.

General and administrative expense was $1.4 million and $1.0 million for the six months ended June 30, 2011 and June 30, 2010, respectively. This was primarily due to increases in legal expenses for responding to the tender offer, and higher professional, insurance and advisor reimbursement charges.

Asset management fees of $0.8 million were comparable for the six months ended June 30, 2011 and the six months ended June 30, 2010.

Real estate acquisition costs decreased to $0 for the six months ended June 30, 2011, compared to $28,000 for the six months ended June 30, 2010. The decrease as result of the suspension of our share offering in November 2010. Acquisition fees are incurred based on proceeds raised.

Depreciation and amortization expense was $1.1 million for the six months ended June 30, 2011 and June 30, 2010.

Interest expense increased to $0.6 million for the six months ended June 30, 2011 from $0.5 million for the six months ended June 30, 2010, primarily due to an increase in the interest rate associated with the HSH Nordbank note payable extension and the amortization of the deferred financing costs related to this extension.

Impairment of note receivable increased to $1.65 million in the first half of 2011 from $0 in the first half of 2010. This impairment relates to the Servant Healthcare note receivable that was determined to be impaired due to events arising in the second quarter of 2011.

Impairment of real estate increased to $23.2 million as a result of our assumption of shorter hold periods for each property used in our impairment testing brought about by our board of directors currently evaluating strategic alternatives to maximize shareholder value, continued high vacancy levels, reduced rental rates and significant leases concessions combined with current market outlook were the basis for the impairment charge. These strategic alternatives include selling additional properties, sourcing additional equity capital and obtaining new financing that will reposition our assets.

Discontinued Operations

During the second quarter of 2011, we determined that the potential sale of the Goldenwest, Mack Deer Valley, Pinnacle Park, and 2111 South Industrial properties to a third party was probable and therefore classified the property as held for sale in accordance with ASC 360-10, *Property, Plant and Equipment.* Additionally, the results of operations for these properties, were reclassified to loss from discontinued operations for all periods presented. For the six months ended June 30, 2011, loss from discontinued operations was $18.7 million, compared to income of $1.1 million for the comparable 2010 period. The higher 2011 loss for both periods is primarily due to impairment charges on the Goldenwest, Mack Deer Valley, Pinnacle Park, and 2111 South Industrial properties totaling $19.3 million recorded in the second quarter of 2011.

Liquidity and Capital Resources

On November 23, 2010, our board of directors made a decision to stop making or accepting offers to purchase shares of our stock in our follow-on offering while evaluating strategic alternatives to maximize values and preserve the capital of our stockholders. During this time, we expect the primary sources of cash to be rental revenues, tenant reimbursements and interest income. We also expect our primary uses of cash to be for the (1) repayment of notes payable principal, (2) payment of tenant improvements and leasing commissions, (3) operating expenses, (4) interest expense on any outstanding indebtedness, and (5) cash distributions. To the extent cash flow from operations is not enough to satisfy debt obligations and we are not able to refinance or obtain new financing, we may have to raise cash by selling additional properties.

As of June 30, 2011, we had sold 0.4 million shares in our follow-on offering for gross proceeds of approximately $3.4 million. Our board of directors is currently evaluating strategic alternatives for our follow-on offering, but we do not expect our follow-on offering to be a material source of capital until such evaluation is completed.

As of June 30, 2011, we had approximately $1.5 million in cash and cash equivalents on hand.

Short Term Liquidity Requirements

In addition to the capital requirements for recurring capital expenditures, tenant improvements and leasing commissions, we may have to incur expenditures for renovation of our properties such as increasing the size of the properties by developing additional rentable square feet and or making the space more appealing to potential industrial tenants. We have three properties listed for sale and we are exploring opportunities to refinance existing debt. We expect to fund our liquidity requirements from a combination of the net proceeds of property sales or refinancing proceeds.

Credit Facilities

We have total debt obligations of $27.6 million that mature in December of 2011 and February 2012. Of this amount, $5.0 million is outstanding on a credit facility with HSH Nordbank, including $3.2 million associated with the properties held for sale, and $15.9 million is outstanding on a credit facility with Wells Fargo Bank. In August 2011, we amended our Wells Fargo Bank loan to extend the maturity date to February 13, 2012. The amendment provides for two additional one year extensions, subject to the satisfaction of certain conditions imposed by the lender. In connection with this amendment, the 2111 South Industrial Park and Shoemaker Industrial Buildings were added to the loan collateral, and we made a principal payment of $500,000. Interest on the amended loan increased to 300 basis points over one month LIBOR with a 150 basis point LIBOR floor. All other terms of the promissory note remain in full force and effect.

In July 2011, we amended our credit facility with HSH Nordbank to extend the maturity date of the loan to December 16, 2011. As part of the amendment, HSH Nordbank eliminated principal payments scheduled to be made in July, August and September of 2011 and the requirement to maintain a minimum amount of cash or cash equivalents.

We are pursuing options for restructuring and repaying these debts including asset sales, sourcing additional equity capital and obtaining new financing that will reposition the assets. We expect to repay the HSH Nordbank loan at or upon maturity with proceeds from a sale of real estate or refinancing the assets.

However, there can be no assurance that we will be successful in executing such restructuring or repayment to allow us to meet our debt obligations during the twelve months ending June 30, 2012. If we are unable to obtain alternative financing or sell properties in order to repay the debt, this could result in the lenders foreclosing on properties. Based on the various options available to us and ongoing discussions with its lenders, management believes that we will be able to meet or successfully restructure our debt obligations.

Distributions

Our board of directors resolved to reduce distributions on our common stock to a current annualized rate of $0.08 per share (1% based on a share price of $8.00) from the prior annualized rate of $0.48 per share (6% based on a share price of $8.00), effective December 1, 2010. We expect to pay these distributions from cash flow from operations. No distributions have been declared for periods after June 30, 2011. The rate and frequency of distributions is subject to the discretion of our board of directors and may change from time to time based on our operating results and cash flow.

For the three months ended June 30, 2011, cash distributions to stockholders of approximately $0.2 million were paid from cash flow from operations and cash on hand.

Organization and offering costs

As of June 30, 2011, our advisor and its affiliates had incurred on our behalf cumulative organizational and offering costs totaling approximately $5.6 million, including approximately $0.1 million of organizational costs that was expensed and approximately $5.5 million of offering costs which reduce net proceeds of our offerings. Of this amount, $4.4 million reduced the net proceeds of our initial public offering and $1.1 million reduced the net proceeds of our follow-on offering.

In no event will we have any obligation to reimburse the advisor for these costs totaling in excess of 3.5% of the gross proceeds from our initial public offering and our follow-on public offering at the conclusion of the offerings. As of December 31, 2010, we had reimbursed to our advisor a total of $4.5 million for our initial public offering and $1.1 million for our follow-on offering.

At times during our offering stage, the amount of organization and offering expenses that we incur, or that the advisor and its affiliates incur on our behalf, may exceed 3.5% of the gross offering proceeds then raised, but our advisor has agreed to reimburse us to the extent that our organization and offering expenses exceed this 3.5% limitation at the conclusion of our offerings. In addition, the advisor will pay all of our organization and offering expenses that, when combined with the sales commissions and dealer manager fees that we incur exceed 13.5% of the gross proceeds from our public offerings. We suspended sales under our follow-on offering on November 23, 2010 while our board of directors evaluates strategic alternatives to maximize stockholder values. The follow-on offering remained suspended as of June 30, 2011.

We will not rely on advances from the advisor to acquire properties but the advisor and its affiliates may loan funds to special purpose entities that may acquire properties on our behalf pending our raising sufficient proceeds from our public offerings to purchase the properties from the special purpose entity.

We will endeavor to repay any temporary acquisition debt financing by raising additional equity or selling properties so that we will own our properties with no permanent financing. Financial markets have recently experienced unusual volatility and uncertainty. Liquidity has tightened in all financial markets, including the debt and equity markets. Our ability to fund property acquisitions or development projects, as well as our ability to repay or refinance debt maturities could be adversely affected by an inability to secure financing at reasonable terms, if at all.

Other than the conditions discussed above and market conditions discussed under the caption "Market Outlook—Real Estate and Real Estate Finance Markets," we are not aware of any material trends or uncertainties, favorable or unfavorable, affecting real estate generally, which we anticipate may have a material impact on either capital resources or the revenues or income to be derived from the operation of real estate properties.

Funds from Operations and Modified Funds from Operations

Funds from operations ("FFO") is a non-GAAP financial measure that is widely recognized as a measure of REIT operating performance. We compute FFO in accordance with the definition outlined by the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as net income (loss), computed in accordance with GAAP, excluding extraordinary items, as defined by the accounting principles generally accepted in the United States of America ("GAAP") , and gains (or losses) from sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships, joint ventures, noncontrolling interests and subsidiaries. Our FFO may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than we do. We believe that FFO is helpful to investors and our management as a measure of operating performance because it excludes depreciation and amortization, gains and losses from property dispositions, and extraordinary items, and as a result, when compared year to year, reflects the impact on operations from trends in occupancy rates, rental rates, operating costs, development activities, general and administrative expenses, and interest costs, which is not immediately apparent from net income. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting alone to be insufficient. As a result, our management believes that the use of FFO, together with the required GAAP presentations, provide a more complete understanding of our performance. Factors that impact FFO include start-up costs, fixed costs, delay in buying assets, lower yields on cash held in accounts pending investment, income from portfolio properties and other portfolio assets, interest rates on acquisition financing and operating expenses. FFO should not be considered as an alternative to net income (loss), as an indication of our performance, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions.

Changes in the accounting and reporting rules under GAAP have prompted a significant increase in the amount of non-cash and non-operating items included in FFO, as defined. Therefore, we use modified funds from operations ("MFFO"), which excludes from FFO acquisition expenses, reversal of amortization of above/below rent, non-cash amounts related to straight line rent, impairments of real estate assets and impairment of note receivable to further evaluate our operating performance. We compute MFFO in accordance with the definition suggested by the Investment Program Association (the "IPA"), the trade association for direct investment programs (including non-listed REITs). However, certain adjustments included in the IPA's definition are not applicable to us and are therefore not included in the foregoing definition.

We believe that MFFO is a helpful measure of operating performance because it excludes costs that management considers more reflective of investing activities or non-operating changes. Accordingly, we believe that MFFO can be a useful metric to assist management, investors and analysts in assessing the sustainability of our operating performance. As explained below, management's evaluation of our operating performance excludes the items considered in the calculation based on the following considerations:

- Real estate acquisition expenses. In evaluating investments in real estate, including both business combinations and investments accounted for under the equity method of accounting, management's investment models and analysis differentiate costs to acquire the investment from the operations derived from the investment. These acquisition costs have been funded from the proceeds of our initial public offering and other financing sources and not from operations. We believe by excluding expensed acquisition costs, MFFO provides useful supplemental information that is comparable for each type of our real estate investments and is consistent with management's analysis of the investing and operating

performance of our properties. Real estate acquisition expenses include those paid to our advisor and to third parties.

- Adjustments for amortization of above or below market rent. Similar to depreciation and amortization of other real estate related assets that are excluded from FFO, GAAP implicitly assumes that the value of lease assets diminishes predictably over time and that these charges be recognized currently in revenue. Since real estate values and market lease rates in the aggregate have historically risen or fallen with market conditions, management believes that by excluding these charges, MFFO provides useful supplemental information on the operating performance of our real estate.

- Adjustments for straight line rents. Under GAAP, rental income recognition can be significantly different than underlying contract terms. By adjusting for these items, MFFO provides useful supplemental information on the economic impact of our lease terms and presents results in a manner more consistent with management's analysis of our operating performance.

- Impairment charges. Impairment charges relate to a fair value adjustment, which is based on the impact of current market fluctuations and underlying assessments of general market conditions and the specific performance of the holding, which may not be directly attributable to our current operating performance. As these losses relate to underlying long-term assets and liabilities, where we are not speculating or trading assets, management believes MFFO provides useful supplemental information by focusing on the changes in our core operating fundamentals rather than changes that may reflect anticipated losses. In particular, because GAAP impairment charges are not allowed to be reversed if the underlying fair values improve or because the timing of impairment charges may lag the onset of certain operating consequences, we believe MFFO provides useful supplemental information related to the sustainability of rental rates, occupancy and other core operating fundamentals.

FFO or MFFO should not be considered as an alternative to net income (loss) nor as an indication of our liquidity. Nor is either indicative of funds available to fund our cash needs, including our ability to make distributions. Both FFO and MFFO should be reviewed along with other GAAP measurements. Our FFO and MFFO as presented may not be comparable to amounts calculated by other REITs.

We believe that MFFO is helpful as a measure of operating performance because it excludes costs that management considers more reflective of investing activities or non-operating changes.

Our calculations of FFO and MFFO for the three months and six months ended June 30, 2011 and 2010 are presented below:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net (loss) income	$(44,887,000)	$ 107,000	$(45,659,000)	$ 127,000
Adjustments:				
Net loss attributable to noncontrolling interest	(52,000)	—	(52,000)	1,000
Real estate assets depreciation and amortization	716,000	826,000	1,549,000	1,650,000
Funds from operations (FFO) [(1)]	$(44,119,000)	$ 933,000	$(44,058,000)	$ 1,776,000
Adjustments:				
Real estate acquisition costs	—	22,000	—	28,000
Reverse amortization of above/below market rent	2,000	12,000	6,000	27,000
Straight line rent	(34,000)	(129,000)	(3,000)	(195,000)
Deferred financing costs	117,000	53,000	200,000	105,000
Impairment of note receivable	1,650,000	—	1,650,000	—
Impairment of real estate assets	42,492,000	—	42,492,000	—
Modified funds from operations (MFFO) [(1)]	$ 108,000	$ 891,000	$ 287,000	$ 1,741,000
Weighted average common shares outstanding	23,521,838	22,822,774	23,473,816	22,943,713
FFO per weighted average shares	$ (1.88)	$ 0.04	$ (1.88)	$ 0.08
MFFO per weighted average shares (1)	(0.00)	0.04	0.01	0.08

(1) Because we raised capital in our public offering during the periods covered in this table, and made equity investments in 2010, the results presented for the periods in this table are not directly comparable and should not be considered an indication of our historical operating performance.

The following are the distributions declared during the three months ended June 30, 2011 and 2010:

Period	Distribution Declared (2)			Cash flows from operating activities
	Cash	Reinvested	Total	
First quarter 2010	$1,221,000	$1,490,000	$2,711,000	$1,103,000
Second quarter 2010 **(1)**	$1,256,000	$1,468,000	$2,724,000	$ 461,000
First quarter 2011	$ 454,000	$ —	$ 454,000	$ 481,000
Second quarter 2011	$ 468,000	$ —	$ 468,000	$ (219,000)

(1) Distributions declared represented a return of capital for tax purposes.

(2) In order to meet the requirements for being treated as a REIT under the Internal Revenue Code, we must pay distributions to our shareholders each taxable year equal to at least 90% of our net ordinary taxable income. Some of our distributions have been paid from sources other than operating cash flow, such as offering proceeds. Until proceeds from our offering are fully invested and generating operating cash flow sufficient to fully cover distributions to stockholders, we intend to pay a portion of our distributions from the proceeds of our offering or from borrowings in anticipation of future cash flow.

From our inception in October 2004 throgh June 30, 2011, we declared aggregate distributions of $32.8 million. Our cumulative net loss and cumulative cash flows from operations during the same period were $62.3 million and $6.6 million, respectively.

Contractual Obligations

The following table reflects our contractual obligations as of June 30, 2011, specifically our obligations under long-term debt agreements and notes receivable:

Contractual Obligations	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligations (1)	$27,629,000	$21,055,000	$6,574,000	$—	$—
Interest expense related to long term debt (2)	$ 1,535,000	$ 637,000	$ 898,000	$—	$—

(1) This represents the sum of a credit agreement with HSH Nordbank, AG and loan agreements with Wells Fargo Bank National Association and Transamerica Life Insurance Company.

(2) Interest expenses related to the credit agreement with HSH Nordbank, AG and loan agreement with Wells Fargo National Association are calculated based on the loan balances outstanding at June 30, 2011, one month LIBOR at June 30, 2011 plus appropriate margin ranging from 1.40% and 3.75%. Interest expense related to loan agreement with Transamerica Life Insurance Company is based on a fixed rate of 5.89% per annum.

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. We are exposed to the effects of interest rate changes as a result of borrowings used to maintain liquidity and to fund the acquisition, expansion and refinancing of our real estate investment portfolio and operations. Our profitability and the value of our investment portfolio may be adversely affected during any period as a result of interest rate changes. We invest our cash and cash equivalents in government backed securities and FDIC insured savings account which, by its nature, are subject to interest rate fluctuations. However, we believe that the primary market risk to which we will be exposed is interest rate risk relating to our credit facilities.

We borrow funds and make investments at a combination of fixed and variable rates. Interest rate fluctuations will generally not affect our future earnings or cash flows on our fixed rate debt or fixed rate loans receivable unless such instruments mature or are otherwise terminated. Conversely, movements in interest rates on variable rate debt would change our future earnings and cash flows, but not significantly affect the fair value of those instruments. However, changes in required risk premiums would result in changes in the fair value of floating rate instruments.

As of June 30, 2011, we had borrowed approximately $20.8 million under our variable rate credit facility and loan agreement. An increase in the variable interest rate on the facilities constitutes a market risk as a change in rates would increase or decrease interest incurred and therefore cash flows available for distribution to shareholders. Based on the debt outstanding as of June 30, 2011, a 1% change in interest rates would result in a change in interest expense of approximately $208,000 per year.

In addition to changes in interest rates, the value of our real estate is subject to fluctuations based on changes in the real estate capital markets, market rental rates for office space, local, regional and national economic conditions and changes in the credit worthiness of tenants. All of these factors may also affect our ability to refinance our debt if necessary.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our senior management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures and have concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on their evaluation as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer have concluded that we maintained effective internal control over financial reporting, at the reasonable assurance level, as of the end of the period covered by this report.

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1A. Risk Factors

The following risk factors supplement the risks disclosed in our annual report on Form 10-K for the fiscal year ended December 31, 2010.

We have, and may in the future, pay distributions from sources other than cash provided from operations.

Until proceeds from our offering are invested and generating operating cash flow sufficient to make distributions to stockholders, we intend to pay a substantial portion of our distributions from the proceeds of our offerings or from borrowings in anticipation of future cash flow. To the extent that we use offering proceeds to fund distributions to stockholders, the amount of cash available for investment in properties will be reduced. The distributions paid for the four quarters ended June 30, 2011 were approximately $6.1 million. Of this amount approximately $2.4 million was reinvested through our dividend reinvestment plan and approximately $3.7 million was paid in cash to stockholders. For the four quarters ended June 30, 2011 cash flow from operations and FFO were approximately $1.0 million and a loss of $45.6 million, respectively. Accordingly, for the four quarters ended June 30, 2011, total distributions exceeded cash flow from operations and FFO for the same period. During the four quarters ended June 30, 2011, total distributions paid in cash exceeded cash flow from operations and FFO for the same period. We used offering proceeds to pay cash distributions in excess of cash flow from operations during the fourth quarters ended June 30, 2011.

Any adverse changes in the financial health of our advisor or its affiliates or our relationship with them could hinder our operating performance and the return on your investment. The dealer manager of our currently suspended public offering has recently experienced significant personnel reductions. As a result, we do not expect that we will be able to recommence our public offering unless and until we are able to engage a new dealer manager. We may have difficulty finding a qualified dealer manager and/or advisor, and any successor dealer manager or advisor may not be as well suited to manage us or our offering. These potential changes could result in a significant disruption of our business and may adversely affect the value of your investment in us.

We are dependent on our advisor to manage our operations and our portfolio of real estate assets. Our advisor depends upon the fees and other compensation that it receives from us in connection with the purchase, management and sale of our properties to conduct its operations. To date, the fees we pay to our advisor have been inadequate to cover its operating expenses. To cover its operational shortfalls, our advisor has relied on cash raised in private offerings of its sole member. If our advisor is unable to secure additional capital, it may become unable to meet its obligations and we might be required to find alternative service providers, which could result in a significant disruption of our business and may adversely affect the value of your investment in us.

We may have difficulty finding a new qualified dealer manager, and any change in the dealer manager will require our public offering to remain suspended until regulatory approvals are obtained. Such a suspension could last months, and we cannot assure you that the necessary regulatory approvals would be obtained. In addition, any new dealer manager we engage may fail to raise significant capital. If we fail to raise significant capital, our portfolio will be less diversified and the value of your investment in us will vary more greatly with changes in the value of any one asset. Moreover, our general and administrative expenses will be greater in proportion to our assets, which will adversely affect your returns.

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

(a) We did not sell any equity securities that were not registered under the Securities Act of 1933 during the period covered by this Form 10-Q.

(b) Not applicable

(c) During the three months ended June 30, 2011, we redeemed no shares pursuant to our stock repurchase program, which was suspended effective December 31, 2010.

On November 23, 2010, our board of directors concluded that we would not have sufficient funds available to us to fund any redemptions during 2011. Accordingly, our board of directors approved an amendment to our stock repurchase program to suspend redemptions under the program effective December 31, 2010. We can make no assurance as to when and on what terms redemptions will resume. The share redemption program may be amended, resumed, suspended again, or terminated at any time based in part on our cash and debt position. Our board has the authority to terminate the program at any time upon 30 days written notice to our stockholders.

During the six months ended June 30, 2011, we received requests to have an aggregate of 19,694 shares redeemed pursuant to our stock repurchase program, however, due to the current suspension of the stock repurchase program we were not able to fulfill any of these requests.

Item 6. Exhibits

Ex.	Description
3.1	Articles of Amendment and Restatement of Articles of Incorporation (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005)
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.3 to Post-Effective Amendment No. 1 to the Registration Statement on Form S-11 (No. 333-121238) filed on December 23, 2005)
4.1	Form of Subscription Agreement (incorporated by reference to Appendix A to the prospectus dated April 16, 2010)
4.2	Statement regarding restrictions on transferability of shares of common stock (to appear on stock certificate or to be sent upon request and without charge to stockholders issued shares without certificates) (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-11 (No. 333-121238) filed on December 14, 2004)
4.3	Distribution Reinvestment Plan (incorporated by reference to Appendix B to the prospectus dated April 16, 2010)
10.1	Purchase and Sale Agreement related to 15172 Goldenwest Circle
10.2	Assumption and Modification Agreement related to the Wells Fargo loan dated August 12, 2011
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1	The following information from the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Operations; (iii) Condensed Consolidated Statements of Cash Flows

BOWNE INTEGRATED TYPESETTING SYSTEM Site: BOWNE OF IRVINE Phone: (949) 476-0505 Operator: BIV33019 Date: 15-AUG-2011 16:34:59.83
Name: CORNERSTONE CORE PRO [E/O] CRC: 26604 BLA A58036 037.00.00.00 0/3
A58036.SUB, DocName: 10-Q, Doc: 1, Page: 37 EDGAR 2
Description: FORM 10-Q

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this quarterly report to be signed on its behalf by the undersigned, thereunto duly authorized this 15th day of August, 2011.

CORNERSTONE CORE PROPERTIES REIT, INC.

By: /s/ Terry G. Roussel
Terry G. Roussel, *Chief Executive Officer*

By: /s/ Sharon C. Kaiser
Sharon C. Kaiser, *Chief Financial Officer*
(Principal Financial Officer and
Principal Accounting Officer)

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Exhibit 10.1

AGREEMENT FOR ACQUISITION OF REAL PROPERTY AND ESCROW INSTRUCTIONS

THIS AGREEMENT ("Agreement") is entered into this 3rd day of June, 2011, by and between COP — Goldenwest, LLC, a California limited liability company ("Seller") and the Westminster Redevelopment Agency ("Agency"), for acquisition by Agency of certain real property described below. Seller and Agency shall be hereinafter jointly referred to as the parties.

RECITALS

A. Seller is the owner of certain real property located in the City of Westminster commonly known as 15172 Goldenwest Circle, City of Westminster, County of Orange, State of California, described in greater detail in **Exhibit "A"** attached hereto and incorporated herein by this reference which is improved with a vacant industrial building (the "Property").

B. Seller desires to sell the Property, and Agency desires to purchase the Property, on the terms and conditions set forth in this Agreement.

UPON EXECUTION OF THIS AGREEMENT BY SELLER AND AGENCY, THE PARTIES MUTUALLY AGREE AS FOLLOWS:

PURCHASE AGREEMENT

1. Incorporation of Recitals. The Recitals above are incorporated into this agreement by this reference.

2. Agreement to Sell and Purchase. As of the Effective Date (as defined below), Seller agrees to sell to Agency, and Agency agrees to purchase from Seller, upon the terms and for the consideration set forth in this Agreement, the Property.

3. Agency Board Approval — Effective Date.

3.1 Following execution of this Agreement, Agency shall have until 5:00 p.m. California time on **June 9, 2011** to take the Agreement before the Westminster Redevelopment Agency Board ("Agency Board") to receive its approval of this Agreement. Seller's offer to sell, at the Purchase Price and on the terms contained in this Agreement, may not be revoked by Seller until **June 9, 2011**. Upon acceptance by the Agency Board this Agreement shall be binding upon both parties in accordance with the terms contained herein. If the Agency Board does not give its approval of this Agreement on or before **June 9, 2011**, then this Agreement shall automatically become null and void and the parties shall have no further obligations to one another except for any provisions that expressly survive termination.

3.2 The effective date of this Agreement (the "Effective Date") shall be the date this Agreement is executed by the authorized officers of both Seller and Agency.

4. Purchase Price. The total purchase price for the Property, payable in cash through Escrow, shall be the sum of Nine Million, Four Hundred and Twenty One Thousand, Nine Hundred and Four Dollars ($9,421,904.00) (the "Purchase Price"). The Purchase Price is all-inclusive of Seller's entire interest in the Property and any rights and obligations which Seller may have or which may arise out of the sale and acquisition of the Property, as more fully explained in Section 24 of this Agreement.

5. Conveyance of Title. Seller agrees to convey by Grant Deed (as defined below) to Agency fee simple title to the Property, free and clear of any recorded and actually known unrecorded monetary liens, assessments, leases, and non-delinquent taxes.

6. Title Report. Agency has reviewed Title Report No. NCS-484144 prepared by Title Company dated June 5, 2011 covering the Property, and hereby accepts all recorded exceptions to title shown on the Title Report excluding any liens set forth in Section 5 above which Seller is obligated to remove.

7. Title Insurance Policy. At Closing, Agency's fee simple title to the Property shall be insured by a CLTA standard coverage owner's policy of title insurance in the amount of the Purchase Price, issued by the Title Company (collectively the "Title Policy"). Agency shall be responsible for obtaining any survey of the Property at its own expense. The Title Policy shall insure the fee simple interest in the Property is free and clear of all liens, as set forth in Section 5 of this Agreement. Seller agrees to pay the premium charged for a standard owner's policy and Agency shall pay for all extended coverage and any endorsements Agency seeks to obtain. Agency's requested endorsements or extended coverage shall not delay the Closing or constitute a condition to Closing.

8. Escrow.

8.1 Opening Escrow. Agency agrees to open an escrow at First American Title Insurance Company located at 1 First American Way, Santa Ana, California 92702, Attention: Kathleen Huntsman, Escrow Officer ("Escrow Company") in accordance with this Agreement. This Agreement constitutes the joint escrow instructions of Agency and Seller, and the escrow agent to whom these instructions are delivered ("Escrow Agent") is hereby empowered to act under this Agreement.

8.2 Grant Deed. Seller shall execute and deliver a Grant Deed to Agency (the "Grant Deed") concurrently with this Agreement, in accordance with Section 5 of this Agreement. A true and correct copy of the Grant Deed is attached hereto as **Exhibit "B"**, and is incorporated by this reference. As soon as possible after opening of escrow, Agency will deposit the executed Grant Deed, with a Certificate of Acceptance attached, with Escrow Agent on Seller's behalf. Deposit of the Purchase Price and share of closing costs shall be made by Agency one (1) business day prior to the Close of Escrow, provided the Agency's and Seller's conditions to closing set forth in this Agreement, including in particular Section 11, are satisfied. Agency and Seller agree to deposit with Escrow Agent any additional instruments as may be necessary to complete this transaction.

8.3 Insurance. Any existing insurance policies for fire or casualty on the Property will continue to be maintained by Seller, at Sellers sole expense, until the Close of Escrow. Insurance policies are not to be transferred, and Seller will cancel its own policies after Close of Escrow.

8.4 Escrow Account. All funds received by Escrow Agent shall be deposited in a general escrow account doing business in the State of California which is insured by the FDIC.

9. Tax Adjustment Procedure.

ESCROW AGENT IS AUTHORIZED AND IS INSTRUCTED TO COMPLY WITH THE FOLLOWING TAX ADJUSTMENT PROCEDURE AS OF THE CLOSING DATE:

9.1 Delinquent Taxes. Escrow Agent shall pay and charge Seller for any unpaid delinquent property taxes and/or penalties and interest thereon, and for any delinquent assessments or bonds encumbering the Property at the Closing.

9.2 Proration. All current property taxes shall be prorated through Escrow as of the date of the Close of Escrow, using the customary procedures of the Escrow Agent. Notwithstanding the foregoing, Seller shall be responsible for and shall pay outside escrow any property taxes assessed against the Property, which are applicable to any period of time prior to the Close of Escrow that were not paid through Escrow as a result of any errors in the proration or otherwise.

9.3 Refund of Taxes. Seller shall have the sole right, after the Close of Escrow, to apply to the Orange County Tax Collector for refund of any excess property taxes, which have been paid by Seller with respect to the Property. This refund would apply to the period after Agency's acquisition, pursuant to Revenue and Taxation Code Section 5096.7.

9.4 Miscellaneous Prorations. All other items of income and expense normally apportioned in sales of real property in similar situations in the jurisdiction where each Property is located, shall be prorated at Closing by Escrow Agent.

10. Escrow Agent Authorization.

AT CLOSING, ESCROW AGENT IS AUTHORIZED TO, AND SHALL:

10.1 Agency and Seller. Pay and charge Agency fifty percent (50%) and Seller fifty percent (50%) of all usual escrow fees, charges, and costs.

10.2 Agency. Pay and charge Agency for transfer taxes and documentary stamp taxes which arise from conveyance of the Property to Agency. Agency shall pay all premiums, charges and fees of the Title Company in excess of the premium for a standard owners CLTA title policy in the amount of the Purchase Price including for the Agency's account the cost of any extended coverage and any affirmative endorsements.

10.3 Seller. Pay and deduct from the amounts payable to Seller any amount necessary to place title in the condition necessary to satisfy Section 5 of this Agreement, up to and including the total amount of unpaid monetary liens (other than non-delinquent taxes and assessments), principal and interest on note(s) secured by mortgage(s) or deed(s) of trust on the Property, and all other amounts due and payable in accordance with the terms and conditions of said trust deed(s) or mortgage(s) including late charges and penalties, if any, for payment in full in advance of maturity. The Seller shall pay the title insurance premium for a standard CLTA policy of title insurance in the amount of the Purchase Price. Seller. Pay and deduct from amounts payable by Seller under Section 5 of this Agreement, any amount necessary to satisfy any delinquent taxes on the Property together with penalties and interest thereon, and/or delinquent assessments or bonds, except those in accordance with the terms of this Agreement.

10.4 Disbursement. Promptly disburse funds and deliver the Grant Deed for recordation when conditions of this Escrow have been fulfilled by Agency and Seller.

10.5 Closing Statement. Prior to the Close of Escrow, Escrow Agent shall provide Seller and Agency with a proposed closing statement for review and comment setting forth the payments and charges articulated in this Section.

10.6 Close of Escrow.

(a) The term "Closing" or "Close of Escrow," if and where written in these instructions, shall mean the date the Grant Deed and other necessary instruments of conveyance are recorded in the office of the Orange County Recorder. Recordation of instruments delivered through this escrow is authorized, if necessary or proper upon the Title Company's irrevocable commitment to issue the Title Policy described in Section 7 of this Agreement.

(b) Close of Escrow will not occur until all of the terms and conditions of this Agreement have been satisfied or waived, including but not limited to the conditions in Section 11.

(c) Close of Escrow shall occur three (3) business days following the Agency's obtaining a funding commitment for its tax allocation bonds to acquire the Property, but in no event later than **July 1, 2011** ("Closing Date"). Agency agrees to use commercially diligent efforts to obtain a funding commitment for its tax allocation bonds to acquire the Property as soon as possible, and give Seller written notification of same.

10.7 Reserved.

10.8 Time Limits. All time limits within which any matter specified is to be performed may be extended only by mutual agreement of the parties in their sole and absolute discretion. Any amendment of, or supplement to, any instructions must be in writing.

10.9 Time of the Essence. **TIME IS OF THE ESSENCE IN THESE INSTRUCTIONS AND ESCROW IS TO CLOSE AS SOON AS POSSIBLE**. If this Escrow is not in a condition to close on or before **July 1, 2011**, this Agreement shall automatically

terminate without further instruction by the parties. No such termination shall release either party then in default from liability for such default.

10.10 Escrow Agent Responsibility. The responsibility of the Escrow Agent under this Agreement is expressly limited to Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17, 22, 26, 27, 28, 29, 30, 31, 32, 33, and 34 and to its liability under the Title Policy.

11. Conditions Precedent to Close of Escrow.

11.1 Agency's Conditions Precedent to Closing. The obligation of Agency to complete the purchase of the Property is subject to the satisfaction of the following conditions, waivable in Agency's discretion:

(a) Seller has delivered through Escrow an executed and recordable Grant Deed sufficient to convey fee simple title to the Agency as set forth in Sections 5 and 8.2.

(b) Seller has delivered through Escrow any funds and additional documents as are reasonably necessary to comply with Seller's obligations under this Agreement.

(c) Seller shall not be in default of any of its obligations under the terms of this Agreement, and all representations of Seller herein are true and correct.

(d) Escrow Agent shall be committed to deliver to Agency a Title Policy as required by Section 7 hereof.

(e) Agency shall not have terminated this Agreement, to the extent termination is expressly permitted hereunder.

(f) The Agency Board has approved this Agreement pursuant to Section 3.1 above.

11.2 Seller's Conditions Precedent to Closing. The obligation of Seller to complete the sale of the Property is subject to the satisfaction of the following conditions waivable in Seller's discretion:

(a) Agency is not in default of any of its obligations under the terms of this Agreement, and all representations of Agency herein are true and correct.

(b) Agency shall have deposited with the Escrow Agent immediately available funds in an amount equal to the Purchase Price and the Agency's share of costs described herein.

(c) Agency has delivered any documents as are reasonably necessary to comply with Agency's obligations hereunder.

(d) Seller shall not have terminated this Agreement, to the extent termination is expressly permitted hereunder.

12. Delivery of Possession. Seller shall deliver the Property to Agency at the Close of Escrow free and clear of all, leases, licenses and all possessory rights of any kind or nature, except as is specifically stated herein to the contrary.

13. Due Diligence Approval. Prior to the Effective Date, Seller has delivered to Agency for review copies of those documents, materials and information relating to the Property that are listed on **Exhibit "C"** attached hereto ("Property Documents"), and Seller has made available for Agency's review any other documents in Seller's possession relating to the Property excluding any proprietary, privileged or confidential materials. Agency acknowledges and agrees that Seller's Property Documents were provided by Seller to accommodate and facilitate Agency's investigations relating to the Property and that, except as expressly set forth herein, Seller makes no representations and warranties of any kind regarding the accuracy or thoroughness of the information contained in the Property Documents and Agency shall not be entitled to rely on the Property Documents. Agency must perform its own due diligence investigation of the Property. Prior to the Effective Date Agency has been given the opportunity to perform any testing, investigations and studies relating to the Property that Agency desired in its sole and absolute discretion. Agency has completed all of its due diligence investigations relating to the Property and upon execution of this Agreement hereby irrevocably and unconditionally approves of the Property.

14. [Intentionally Omitted]

15. Loss or Damage to Improvements. Any material loss or damage to the Property, including any improvements thereon, by fire or other casualty, occurring prior to the recordation of the Grant Deed shall be at the risk of Seller. In the event that a material loss or damage to the real property or any improvements thereon, by fire or other casualty, occurs prior to the recordation of the Grant Deed, Agency, in its discretion, may elect to either: (i) acquire the Property pursuant to this Agreement and have Seller pay to Agency the proceeds of any insurance policy or policies payable to Seller by reason of such casualty, and the Purchase Price shall be reduced by the amount of any deductible payable under the insurance policy; or (ii) terminate this Agreement.

16. Remedies. In the event Seller defaults and as a result of such default fails to convey the Property to Agency in accordance with the terms of this Agreement, Agency as its sole and exclusive remedies for such default may either (i) terminate this Agreement; or (ii) within thirty (90) days of such Seller default file a legal action; provided, however, Agency waives any claims for consequential or punitive damages.

17. Possession and Disposition of Personal Property. Possession of the Property at the Close of Escrow shall be given to Agency upon the recording of the Grant Deed. All of the furniture, furnishings, and other personal property not physically connected to the Property or to any building or structure located thereon (collectively "Personal Property") shall remain the property of Seller, except as may be specifically agreed between the parties to the contrary in writing. Seller shall remove or otherwise dispose of all Personal Property located on the Property, no later than fifteen (15) days after the Close of Escrow. All Personal Property remaining on the Property after fifteen (15) days following the Close of Escrow shall automatically become the property of Agency and Agency may dispose of same without liability

as it alone sees fit. Seller agrees that Agency shall not be liable for any loss of or damage to the Personal Property, regardless of when loss or damage occurs. Notwithstanding the foregoing, if Agency is required to dispose of any Personal Property left by Seller, Seller shall be required to pay to Agency the reasonable cost of its removal and disposal. Seller shall immediately pay these costs upon receipt of a written demand from the Agency detailing the costs incurred.

18. Warranties, Representations, and Covenants of Seller. Seller hereby warrants, represents, and covenants to Agency that:

18.1 Pending Claims. To the best of Seller's knowledge, there are no actions, suits, claims, legal proceedings, or any other proceedings affecting the Property or any portion thereof, at law, or in equity before any court or governmental entity, domestic or foreign.

18.2 Encroachments. To the best of Seller's knowledge, there are no encroachments onto the Property by improvements on any adjoining property, nor to the best of Seller's knowledge do any buildings or improvements located on the Property encroach on other properties.

18.3 Rental and Leasehold Interests. There are no third parties in possession of any portion of the Property as lessees, tenants at sufferance, or invitees, and there are no leases or other agreements concerning all or any portion of the Property exceeding a period of one month.

18.4 Condition of Property. Up until the Close of Escrow, Seller shall continue to maintain the Property in accordance with its past practices.

18.5 Environmental. Except as has been specifically disclosed to Agency in the Property Documents (as defined below), to the best of Seller's knowledge there are no Hazardous Materials located on the Property in violation of applicable law. If Seller becomes aware of any facts, documents or information at any time which indicates the potential presence of Hazardous Materials on the Property, other than those facts which have already been disclosed in the Property Documents, Seller shall immediately notify Agency of those facts. The term "Hazardous Material" as used in this Agreement shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill release or effect, either by itself or in combination with other materials expected to be on the Property: (i) is potentially injurious to the public health, safety or welfare, the environment or the Property; (ii) is or becomes regulated or monitored by any federal, state or local governmental authority; or (iii) is a basis for liability of either Seller or Agency to any governmental agency or third party under any applicable statute or common law theory. Hazardous Materials shall specifically include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products, by-products or fractions thereof, or any material or substance which is: (i) defined as a "hazardous waste," "acutely hazardouswaste," "restricted hazardous waste," or "extremely hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law); (ii) defined as "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act); (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California

Health and Safety code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory); (iv) defined as a "hazardous substance" under Section 25281of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances); (v) petroleum; (vi) asbestos; (vii) polychlorinated byphenyls; (viii) designated as a "hazardous substance" pursuant to the Clean Water Act, 33 U.S.C. § 1321; (ix) defined as a toxic pollutant pursuant to the Clean Water Act, 33 U.S.C. Section 1317; (ix) defined as a "hazardous waste" pursuant to the Resource Conservation and Recovery Act, 42 U.S.C. § 6903; or (x) defined as a "hazardous substance" pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601.

18.6 Seller's Title. Until the Close of Escrow, Seller shall not do anything, which would impair Seller's title to any of the Property.

18.7 Utilities. To the best of Seller's knowledge, all utilities, without limitation, including gas, electricity, water, sewage, and telephone, are available to the Property.

18.8 Conflict with Other Obligation. To the best of Seller's knowledge, neither the execution of this Agreement nor the performance of the obligations herein will conflict with, or breach any of the provisions of any bond, note, evidence of indebtedness, contract, lease covenants, conditions and restriction, or other agreement or instrument to which Seller or Seller's Property may be bound.

18.9 Authority. Seller is the owner of and has the full right, power, and authority to sell, convey, and transfer the Property to Agency as provided herein and to carry out Seller's obligations hereunder.

18.10 Bankruptcy. Seller is not the subject of a bankruptcy proceeding, and permission of a bankruptcy court is not necessary for Seller to be able to transfer the Property as provided herein.

18.11 Leasing. Seller warrants that starting from the Effective Date up through the Close of Escrow Seller shall not enter into any new leases, agreements or encumbrances, and no amendments to the preceding, that would affect the Property following the Closing, without first obtaining Agency's prior written consent, which consent shall not be unreasonably withheld or delayed.

18.12 Change of Situation. Until the Close of Escrow, Seller shall, upon learning of any fact or condition that would cause any of the warranties and representations in this Section 18 not to be true as of the Close of Escrow, immediately give written notice of such fact or condition to Agency.

18.13 Definition of Actual Knowledge. References in this Section 18 to the "actual knowledge" of Seller shall refer only to the actual knowledge of the individual Seller representatives who are responsible for handling the ownership and operation of the Property (which knowledge shall not include any imputed or constructive knowledge), and shall not be construed to impose upon such designated individuals any duty to investigate the matter to which such actual knowledge, or the absence thereof, pertains or impose any personal liability on such individual. No claim for a breach of any representation or warranty of Seller shall be actionable

or payable if the breach in question results from or is based on a condition, state of facts or other matter which was disclosed by Seller to Agency in writing prior to Closing. Agency shall be deemed to have actual knowledge of all information in the Title Report and Property Documents. In the event that Agency has actual knowledge of any breach of a Seller representation, warranty and/or covenant prior to the Closing and elects to proceed with the Close of Escrow, then Agency shall be deemed to have irrevocably and unconditionally waived such breach.

19. **AS-IS. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT OR IN ANY DOCUMENTS TO BE DELIVERED TO THE PURCHASER AT THE CLOSING, THE SELLER HAS NOT MADE, AND THE PURCHASER HAS NOT RELIED ON, ANY INFORMATION, PROMISE, REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, REGARDING THE PROPERTY, WHETHER MADE BY THE SELLER, ON THE SELLER'S BEHALF OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, THE PHYSICAL CONDITION OF THE PROPERTY, THE FINANCIAL CONDITION OF THE TENANTS UNDER THE LEASES, TITLE TO OR THE BOUNDARIES OF THE PROPERTY, PEST CONTROL MATTERS, SOIL CONDITIONS, THE PRESENCE, EXISTENCE OR ABSENCE OF HAZARDOUS WASTES, TOXIC SUBSTANCES OR OTHER ENVIRONMENTAL MATTERS, COMPLIANCE WITH BUILDING, HEALTH, SAFETY, LAND USE AND ZONING LAWS, REGULATIONS AND ORDERS, STRUCTURAL AND OTHER ENGINEERING CHARACTERISTICS, TRAFFIC PATTERNS, MARKET DATA, ECONOMIC CONDITIONS OR PROJECTIONS, HABITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TAX CONSEQUENCES, LATENT OR PATENT PHYSICAL DEFECTS OR CONDITIONS, UTILITIES, OPERATING HISTORY OR PROJECTIONS, VALUATION, GOVERNMENTAL APPROVALS, THE COMPLIANCE OF THE PROPERTY WITH GOVERNMENTAL LAWS. FURTHERMORE, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT OR IN ANY DOCUMENTS TO BE DELIVERED TO THE PURCHASER AT THE CLOSING, PURCHASER HAS NOT RELIED AND WILL NOT RELY ON, AND SELLER IS NOT LIABLE FOR OR BOUND BY, ANY EXPRESS OR IMPLIED WARRANTIES, GUARANTIES, STATEMENTS, REPRESENTATIONS OR INFORMATION PERTAINING TO THE PROPERTY OR RELATING THERETO (INCLUDING SPECIFICALLY, WITHOUT LIMITATION, PROPERTY INFORMATION PACKAGES DISTRIBUTED WITH RESPECT TO THE PROPERTY) MADE OR FURNISHED BY SELLER, THE MANAGER OF THE PROPERTY, REAL ESTATE BROKER OR AGENT REPRESENTING OR PURPORTING TO REPRESENT SELLER, TO WHOMEVER MADE OR GIVEN, DIRECTLY OR INDIRECTLY, ORALLY OR IN WRITING AND ANY OTHER INFORMATION PERTAINING TO THE PROPERTY OR THE MARKET AND PHYSICAL ENVIRONMENTS IN WHICH THEY ARE LOCATED. THE PURCHASER ACKNOWLEDGES THAT, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT OR IN ANY DOCUMENTS TO BE DELIVERED TO THE PURCHASER AT THE CLOSING, (I) THE PURCHASER HAS ENTERED INTO THIS AGREEMENT WITH THE INTENTION OF RELYING UPON ITS OWN INVESTIGATION OR THAT OF ITS CONSULTANTS WITH RESPECT TO THE PHYSICAL, ENVIRONMENTAL, ECONOMIC AND LEGAL CONDITION OF THE PROPERTY AND (II) THE PURCHASER IS NOT RELYING UPON THE PROPERTY DOCUMENTS. THE PURCHASER HAS INSPECTED THE PROPERTY**

AND IS FULLY FAMILIAR WITH THE PHYSICAL CONDITION THEREOF AND, SUBJECT TO THE REPRESENTATIONS AND WARRANTIES MADE IN THIS AGREEMENT, SHALL PURCHASE THE PROPERTY IN ITS "AS IS", "WHERE IS" AND "WITH ALL FAULTS" CONDITION ON THE CLOSING DATE. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, IN THE EVENT THAT PURCHASER HAS ACTUAL KNOWLEDGE OF THE DEFAULT OF SELLER (A "KNOWN DEFAULT"), BUT NONETHELESS ELECTS TO CONSUMMATE THE TRANSACTIONS CONTEMPLATED HEREBY AND PROCEEDS TO CLOSING, THEN THE RIGHTS AND REMEDIES OF PURCHASER SHALL BE WAIVED WITH RESPECT TO SUCH KNOWN DEFAULT UPON THE CLOSING AND SELLER SHALL HAVE NO LIABILITY WITH RESPECT THERETO. EXCEPT IN THE EVENT OF SELLER'S FRAUD, AND EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT OR IN ANY DOCUMENTS TO BE DELIVERED TO THE PURCHASER AT THE CLOSING, FROM AND AFTER THE CLOSING, PURCHASER SHALL ASSUME THE RISK THAT ADVERSE MATTERS, INCLUDING BUT NOT LIMITED TO, CONSTRUCTION DEFECTS AND ADVERSE PHYSICAL AND ENVIRONMENTAL CONDITIONS, MAY NOT HAVE BEEN REVEALED BY PURCHASER'S INVESTIGATIONS, AND PURCHASER, UPON CLOSING, SHALL BE DEEMED TO HAVE IRREVOCABLY AND UNCONDITIONALLY WAIVED, RELINQUISHED AND RELEASED SELLER (AND SELLER'S MEMBERS OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES AND AGENTS) FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION OR RECOVERY, INCLUDING WITHOUT LIMITATION THOSE ARISING UNDER CERCLA, HSAA AND/OR THE POLANCO ACT, EXCEPT FOR FRAUD AND SELLER'S OBLIGATIONS UNDER THIS AGREEMENT (INCLUDING CAUSES OF ACTION IN TORT OTHER THAN FRAUD), LOSSES, DAMAGES, LIABILITIES, COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES AND COURT COSTS) OF ANY AND EVERY KIND OR CHARACTER, KNOWN OR UNKNOWN, WHICH PURCHASER MIGHT HAVE ASSERTED OR ALLEGED AGAINST SELLER (AND SELLER'S MEMBERS, OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES AND AGENTS) AT ANY TIME BY REASON OF OR ARISING OUT OF THE PROPERTY ITS OPERATION ANY WAY IN CONNECTION WITH THE FOREGOING. AGENCY EXPRESSLY WAIVES THE BENEFITS OF ANY PROVISION OR PRINCIPLE OF FEDERAL STATE OR LOCAL LAW OR REGULATION THAT MAY LIMIT THE SCOPE OR EFFECT OF THE FOREGOING WAIVER AND RELEASE INCLUDING, WITHOUT LIMITATION, THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR" OR EQUIVALENT LAW OF ANY JURISDICTION, TO THE EXTENT APPLICABLE.

This release by Agency shall constitute a complete defense to any claim, cause of action, defense, contract, liability, indebtedness or obligation released pursuant to this release. Nothing in this release shall be construed as (or shall be admissible in any legal action or proceeding as)

an admission by Seller or any other released party that any defense, indebtedness, obligation, liability, claim or cause of action exists which is within the scope of those hereby released.

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Agency's Initials

20. Warranties and Representations of Agency. The person executing any instruments for or on behalf of each party to this Agreement is fully authorized to act on behalf of that party and the Agreement is valid and enforceable against each party to this Agreement in accordance with its terms and each instrument to be executed pursuant hereto or in connection therewith.

21. Indemnity.

21.1 Seller Indemnity. Seller agrees to, and hereby does, indemnify, defend and hold harmless Agency from and against all claims, liabilities, damages and expenses (including, without limitation, reasonable attorneys' fees and disbursements) which may be asserted by a third party against Agency based solely on the acts or omissions of Seller with regard to the Property occurring prior to Closing.

21.2 Agency Indemnity. Agency agrees to, and hereby does, indemnify, defend and hold harmless Seller from and against all claims, liabilities, damages and expenses (including, without limitation, reasonable attorneys' fees and disbursements) which may be asserted by a third party against Seller based solely on the acts or omissions of Agency with regard to the Property occurring after Closing.

21.3 Limited Effect. Nothing contained in this Section 21 is intended to nor shall in any way limit the effect of the AS-IS provisions and related disclaimer provisions or the release provisions in this Agreement; expand the scope or duration of any of the representations and warranties contained in this Agreement; or otherwise give rise to any claim or cause of action by either Party against the other, except in the event of a claim by a third party against Seller or Agency which gives rise to the indemnity obligations set forth in this Section 21. In the event of any inconsistency between the AS-IS and release provisions in this Agreement and the indemnity provisions in this Article 21, the AS-IS and release provisions shall control.

22. Mutually Prepared Agreement. The parties acknowledge that this Agreement was the subject of negotiations between the parties and shall be considered as being mutually prepared. Each of the Parties specifically represents and warrants to the other Party was advised to have this Agreement reviewed by legal counsel of their choice.

23. Tax Bonds Allocation Contingency. It is understood and agreed between the parties that the completion of this transaction, and the Close of Escrow, is expressly contingent upon Agency's ability to use Redevelopment Agency tax allocation bond proceeds for the Purchase Price in accordance with Section 10.7(c). Therefore, Agency may terminate this Agreement at any point prior to the Closing Date with no further obligation to Seller, if it determines, in is sole and absolute discretion, that the Agency's funds are not available or otherwise cannot be used to purchase the Property.

24. Seller Release. Seller agrees that the payment to be made pursuant to this Agreement constitutes a complete, full, fair, and final settlement of all claims that Releasors may have against any of the "Releasees" (as those terms are defined in Section 24(b) of this Agreement) arising out of the Agency's acquisition of the Property, the project for which the Property is being acquired, or the displacement of Releasors from the Property (the "Released Claims"). By way of example, such Released Claims shall include, but not be limited to, any claims for compensation for the fee simple interest in the Property; any claims for pre-condemnation damages, severance damages, or loss of business goodwill; any claims for costs, interest, or attorney's fees; any claims based upon any allegations of Releasors that the Agency failed to comply with its adopted Redevelopment Plan for the Redevelopment Project Area in which the Property is located, the Agency's adopted rules for owner participation and business re-entry, and any alleged Agency obligations arising out of any previous actions relating to solicitation of requests for proposals for redevelopment of the Property and/or the Agency's entering into any negotiations or agreements with respect thereto; any claims for relocation assistance and relocation costs arising out of, based upon, or relating to, relocation assistance or benefits owing under Government Code § 7260 et seq., Title 25 of the California Code of Regulations, Section 6000 et seq., or under any other federal, state or local relocations statutes, regulations or guidelines, including but not limited to regulations or guidelines of Agency or the City of Westminster; and any other similar claims. This release shall apply to all such Released Claims, whether arising under the United States or California Constitutions or under any federal, state, or local law, statute, ordinance, regulation, rule, official policy, court order, or common law.

Releasors acknowledge that they have been advised of and understand the provisions of Section 1542 of the California Civil Code, which provides as follows:

> **"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."**

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Seller Initials

Being aware of said code section, the Releasors hereby expressly waive and relinquish any rights or benefits each may have thereunder, as well as under any other state or federal statutes or common law principles of similar effect.

(a) As used herein, the term "Releasors" shall include Seller, and its officers, agents, members, employees, subcontractors, heirs, executors, successors, and assigns. The term "Releasees" shall include the Agency and the City of Westminster, and their respective elected and appointed officials, officers, directors, employees, attorneys, accountants, or other professionals and agents.

(b) Releasors shall and do hereby release and discharge Releasees from and against all claims, penalties, actions or causes of action, obligations, and demands of any kind relating to the Released Claims.

25. Waiver, Consent and Remedies. Each provision of this Agreement to be performed by Agency and Seller shall be deemed both a covenant and a condition and shall be a material consideration for Seller's and Agency's performance hereunder, as appropriate, and any breach thereof by Agency or Seller shall be deemed a material default hereunder. Either party may specifically and expressly waive in writing any portion of this Agreement or any breach thereof, but no such waiver shall constitute a further or continuing waiver of a preceding or succeeding breach of the same or any other provision. A waiving party may at any time thereafter require further compliance by the other party with any breach or provision so waived. The consent by one party to any act by the other for which such consent was required shall not be deemed to imply consent or waiver of the necessity of obtaining such consent for the same or any similar acts in the future. No waiver or consent shall be implied from silence or any failure of a party to act, except as otherwise specified in this Agreement. Except as set forth in Section 16 above, all rights, remedies, undertakings, obligations, options, covenants, conditions and agreements contained in this Agreement shall be cumulative and no one of them shall be exclusive of any other. Except as otherwise specified in this Agreement either party hereto may pursue any one or more of its rights, options or remedies hereunder or may seek damages or specific performance in the event of the other party's breach hereunder, or may pursue any other remedy at law or equity, whether or not stated in this Agreement.

26. Attorney's Fees. In the event any declaratory or other legal or equitable action is instituted between Seller, Agency and/or Escrow Agent in connection with the enforcement, breach or rescission of this Agreement, then as between Agency and Seller, the prevailing party shall be entitled to recover from the losing party all of its costs and expenses, including court costs and reasonable attorneys' fees, expert witnesses and all fees, costs and expenses incurred on any appeal or in collection of any judgment.

27. Notices. Any and all notices, demands, consents, approvals, offers, elections and other communications required or permitted under this Agreement shall be deemed adequately given if in writing and the same shall be delivered either in hand or by mail or Federal Express or similar expedited commercial carrier, addressed to the recipient of the notice, postpaid and registered or certified with return receipt requested (if by mail), or with all freight charges prepaid (if by Federal Express or similar carrier). All notices required or permitted to be sent hereunder shall be deemed to have been given for all purposes of this Agreement upon the date of receipt or refusal, except that whenever under this Agreement a notice is either received on a day which is not a business day or is required to be delivered on or before a specific day which is not a business day, the day of receipt or required delivery shall automatically be extended to the next business day.

IF TO SELLER:	**IF TO AGENCY:**
COP — Goldenwest, LLC 1920 Main Street, Suite 400 Irvine, CA 92614 Attn: Mr. Jon Carley/Dag Wilkinson	Attn: Redevelopment Agency Director Westminster City Hall 8200 Westminster Blvd. Westminster, CA 92683

Any party may from time to time, by written notice to the other, designate a different address, which shall be substituted for that specified above.

28. Default. Failure or delay by either party to perform any covenant, condition or provision of this Agreement within the time provided herein constitutes default under this Agreement. The injured party shall give written notice of default to the party in default, specifying the default complained of. The defaulting party shall immediately commence to cure such default and shall diligently complete such cure within three (3) days from the date of the notice. The injured party shall have the right to terminate this Agreement by written notice to the other party in the event of a default, which is not cured within the time set forth herein.

29. Entire Agreement. This Agreement and its exhibits constitute the entire agreement between the parties hereto pertaining to the subject matter hereof, and the final, complete and exclusive expression of the terms and conditions thereof. All prior agreements, representations, negotiations and understanding of the parties hereto, oral or written, express or implied, are hereby superseded and merged herein.

30. Governing Law and Venue. This Agreement and the exhibits attached hereto have been negotiated and executed in the State of California and shall be governed by and construed under the laws of the State of California. The parties consent to the jurisdiction of the California Courts with venue in Orange County.

31. Invalidity of Provision. If any provision of this Agreement as applied to any party or to any circumstance shall be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the same shall in no way affect, (to the maximum extent permissible by law), any other provision of this Agreement, the application of any such provision under circumstances different from those adjudicated by the court, or the validity or enforceability of this Agreement as a whole.

32. Amendments. No addition to or modification of any provision contained in this Agreement shall be effective unless fully set forth in writing by Agency and Seller.

33. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument.

34. Time of Essence. Time is of the essence of each provision of this Agreement.

35. Broker Fees. Each of the parties hereto represents to the other parties that it dealt with no broker, finder or like agent in connection with this Agreement or the transactions contemplated hereby other than Grubb & Ellis which Seller shall compensate under a separate written agreement if and only if the Closing occurs. Each party shall indemnify and hold harmless the other party and its respective legal representatives, heirs, successors and assigns from and against any loss, liability or expense, including reasonable attorneys' fees, charges and disbursements arising out of any claim or claims for commissions or other compensation for

bringing about this Agreement or the transactions contemplated hereby made by any other broker, finder or like agent, if such claim or claims are based in whole or in part on dealings with the indemnifying party. The provisions of this Section shall survive the Closing.

36. Assignment. The terms and conditions, covenants, and agreements set forth herein shall apply to and bind the heirs, executors, administrators, assigns and successors of the parties hereto; provided, however, neither party shall have the right to assign this Agreement without the consent of the other party.

37. Cooperation. Each party agrees to cooperate with the other in the Closing of this transaction and, in that regard, to sign any and all documents which may be reasonably necessary, helpful, or appropriate to carry out the purposes and intent of this Agreement including, but not limited to, releases or additional agreements.

38. Section Headings. The section headings contained in this Agreement are for the reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

[the remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year set forth herein above.

AGENCY:

WESTMINSTER REDEVELOPMENT AGENCY,

By: /s/ Mitchell Walker
Executive Director

ATTEST:

By: /s/ Robin Roberts
Agency Secretary

APPROVED AS TO FORM:

By: /s/ Richard Jones
Richard Jones,
Agency General Counsel

SELLER:

COP — GOLDENWEST, LLC, a California limited liability company

By: /s/ Sharon Kaiser
Name: Sharon Kaiser
Title: Authorized Signatory

Exhibit "A"

(Legal Description of Property)

PARCEL 2 OF LLA #2003-01 RECORDED DECEMBER 12, 2003 AS INSTRUMENT NO. 2003001474811 OF OFFICIAL RECORDS.

EXCEPTING AN UNDIVIDED ONE-HALF INTEREST IN AND TO ALL RIGHTS TO OIL, LYING 500 FEET BELOW THE SURFACE AS USED HEREIN SHALL MEAN RIGHTS TO ALL GAS, OIL, PETROLEUM, AND OTHER HYDROCARBON SUBSTANCES IN, UNDER OR THAT MAY BE PRODUCED OR RECOVERED FROM THAT PORTION OF SAID LAND BELOW A DEPTH OF 500 FEET FROM ITS SURFACE, AS CONVEYED TO GOLDEN WEST INDUSTRIAL PARKS, A CALIFORNIA CORPORATION, BY DEED RECORDED JULY 06, 1967 IN BOOK 8308, PAGE 359 OF OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM THE UNDERGROUND WATER RIGHTS, BUT WITHOUT RIGHTS OF ENTRY TO THE SURFACE AS DEDICATED TO THE CITY OF WESTMINSTER.

APN: 142-421-13 and 142-315-03

Exhibit "B"

FORM OF GRANT DEED

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Westminster City Hall
8200 Westminster Blvd.
Westminster, CA 92683
Attn: Redevelopment Agency Director

AND ALL TAX STATEMENTS TO:

SAME AS ABOVE

DOCUMENTARY TRANSFER TAX IS NOT OF PUBLIC RECORD AND IS SHOWN ON A SEPARATE SHEET ATTACHED TO THIS DEED

SPACE ABOVE THIS LINE FOR RECORDER'S USE

GRANT DEED

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, COP — Goldenwest, LLC, a California limited liability company ("**Grantor**"), hereby grants to Westminster Redevelopment Agency ("**Grantee**"), the real property located in the City of Westminster, County of Orange, State of California, described on Exhibit 1 attached hereto and made a part hereof (the "**Real Property**").

Such real property is also conveyed to Grantee subject to all liens, encumbrances, easements, covenants, conditions and restrictions and other matters of record, all of which matters are specifically incorporated herein by this reference.

GRANTOR:

COP — GOLDENWEST, LLC, a California limited liability company

By: ______________________
Name: ______________________
Its: ______________________

State of California)
County of __________)

On ____________________, before me, ______________________________, Notary Public,
(here insert name and title of the officer)

personally appeared____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) 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)

State of California)
County of__________)

On ____________________ , before me, ____ , Notary Public,
(here insert name and title of the officer)

personally appeared ____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) 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)

Exhibit 1 to Grant Deed

Legal Description

Real property in the City of Westminster, County of Orange, State of California, described as follows:

PARCEL 2 OF LLA #2003-01 RECORDED DECEMBER 12, 2003 AS INSTRUMENT NO. 2003001474811 OF OFFICIAL RECORDS.

EXCEPTING AN UNDIVIDED ONE-HALF INTEREST IN AND TO ALL RIGHTS TO OIL, LYING 500 FEET BELOW THE SURFACE AS USED HEREIN SHALL MEAN RIGHTS TO ALL GAS, OIL, PETROLEUM, AND OTHER HYDROCARBON SUBSTANCES IN, UNDER OR THAT MAY BE PRODUCED OR RECOVERED FROM THAT PORTION OF SAID LAND BELOW A DEPTH OF 500 FEET FROM ITS SURFACE, AS CONVEYED TO GOLDEN WEST INDUSTRIAL PARKS, A CALIFORNIA CORPORATION, BY DEED RECORDED JULY 06, 1967 IN BOOK 8308, PAGE 359 OF OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM THE UNDERGROUND WATER RIGHTS, BUT WITHOUT RIGHTS OF ENTRY TO THE SURFACE AS DEDICATED TO THE CITY OF WESTMINSTER.

APN: 142-421-13 and 142-315-03

Certificate of Acceptance

This to certify that the interest in real property conveyed by the foregoing Grant Deed, from COP-Goldenwest, LLC, a California limited liability company to the Westminster Redevelopment Agency (the "Agency") is hereby accepted by the undersigned officer of the Agency, on behalf of the Agency, pursuant to the authority granted by Agency Resolution _____, and the Agency consents to the recordation hereof by its duly authorized officer.

Dated: _______, 2011

By: ________________________________
Name: ______________________________
Title: _______________________________

ATTEST:

____
City Clerk

State of California)
County of San Bernardino)

On ____, before me, ____,
(insert name and title of the officer)

Notary Public, personally appeared ___________________________, who proved to me on the basis of satisfactory evidence to be the person (s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) 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)

Exhibit "C"

List of Due Diligence Documents

ALTA Survey (hard copy sent by over-night mail; all of the other documents listed below were sent electronically)

Advertising Sign (Billboard) Lease

Physical Inspection Reports: 1) Probable Maximum Loss Report dated 1/30/07; 2) Property Condition Report dated 9/05/06; 3) Zoning & Site Requirements Summary dated 9/15/06; 4) Mechanical Electrical Plumbing & Fire Protection Report dated 8/25/06; 5) Structural Observation Of Roof dated 11/14/06; 6) Roof Inspection Report dated 11/13/10

Vendor Contracts (Monster Security Camera Monitor Contract; Bay Alarm Burglar Alarm Monitor Contract; Bay Alarm Fire Monitor Contract

Environmental Documents (there was a link to a zip file full of information)

- Letter from Environ dated November 10, 2006 re: Focused Ground Water Sampling Results.
- Phase 1 Environmental Assessment dated September 8, 2006 prepared by Environ.

<DOCUMENT>
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<TEXT>

Exhibit 10.2

Loan No. WB13991

ASSUMPTION AND MODIFICATION AGREEMENT
(Long Form)

THIS ASSUMPTION AND MODIFICATION AGREEMENT (Long Form) ("**Modification Agreement**") is executed to be effective as of August 3, 2011 by and among **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association as successor-by-merger to Wachovia Bank, National Association, a national banking association ("**Lender**"), **COP-MONROE, LLC**, a Florida limited liability company ("**Progress Way Borrower**"), **COP-CARTER, LLC**, a Florida limited liability company ("**Winter Garden Borrower**"), **COP-HANGING MOSS, LLC**, a Florida limited liability company ("**Hanging Moss Borrower**") and **COP-GOLDENROD, LLC**, a Florida limited liability company ("**Goldenrod Borrower**", and individually and collectively with Progress Way Borrower, Winter Garden Borrower and Hanging Moss Borrower, referred to herein as "**Existing Borrower**" or "**Existing Borrowers**"), **COP-SHOEMAKER, LLC**, a Delaware limited liability company ("**Shoemaker Borrower**"), and **COP-SOUTH INDUSTRIAL, LLC**, a Delaware limited liability company ("**South Industrial Borrower**", and collectively with Shoemaker Borrower, "**Additional Borrowers**"). Additional Borrowers shall herein be referred to individually and collectively with Existing Borrowers as "**Borrowers**."

A. Existing Borrowers and Lender entered into that certain Loan Agreement dated as of November 13, 2007 (as amended by that certain Extension Agreement (Long Form), that certain First Letter Agreement, that certain Second Letter Agreement, and that certain Third Letter Agreement, described below, the "**Loan Agreement**"). Pursuant to the Loan Agreement, Lender agreed to make a loan (the "**Loan**") to Existing Borrowers in the principal amount of Twenty-Two Million Four Hundred Twenty Thousand Five Hundred and No/100 Dollars ($22,420,500.00) for the purposes set forth therein. The following documents, each of which is dated as of November 13, 2007, were executed in connection with the Loan (among others):

   1. That certain Promissory Note evidencing the Loan executed by Existing Borrowers to the order of Lender, in the original principal amount of $22,420,500.00 (the "**Existing Note**").

   2. The following mortgages were executed by one or more Existing Borrowers, as mortgagor, in favor of Lender, as mortgagee (collectively referred to herein as the "**Existing Deeds of Trust**"):

      a. That certain Mortgage, Assignment, Security Agreement and Fixture Filing, executed by Progress Way Borrower, as Mortgagor, in favor of Lender, as Mortgagee, and recorded in the Official Records of Seminole County, Florida, as Clerk's # 2007162863, on or about November 20, 2007, as amended by that certain Extension Agreement (Short Form) dated as of November 13, 2009 (the "**Seminole County Short Form**"), executed by and between Lender and Existing Borrowers and recorded in the Official Records of Seminole County, Florida, as Clerk's #2009138154 on or about December 7, 2009;

      b. That certain Mortgage, Assignment, Security Agreement and Fixture Filing, executed by Winter Garden Borrower, as Mortgagor, in favor of Lender, as Mortgagee, and recorded in the Official Records of Orange County, Florida, as Instrument No. 20070760342, on or about November 20, 2007, as amended by that certain Extension Agreement (Short Form) dated as of November 13, 2009 (the "**Orange County Short Form**"), executed by and between Lender and Existing Borrowers and recorded in the Official Records of Orange County, Florida, as Document No. 20090708153 on or about December 4, 2009;

      c. That certain Mortgage, Assignment, Security Agreement and Fixture Filing, executed by Hanging Moss Borrower, as Mortgagor, in favor of Lender, as Mortgagee, and recorded in the

Official Records of Orange County, Florida, as Instrument No. 20070760305, on or about November 20, 2007, as amended by the Orange County Short Form; and

d. That certain Mortgage, Assignment, Security Agreement and Fixture Filing, executed by Goldenrod Borrower, as Mortgagor, in favor of Lender, as Mortgagee, and recorded in the Official Records of Orange County, Florida, as Instrument No. 20070760372, on or about November 20, 2007, as amended by the Orange County Short Form;

3. That certain Limited Guaranty (the **"Guaranty**"), executed by Cornerstone Core Properties REIT, Inc., a Maryland corporation, Cornerstone Realty Advisors, LLC, a Delaware limited liability company, and Cornerstone Operating Partnership, L.P., a Delaware limited partnership (individually and collectively, "**Guarantor**"), in favor of Lender;

4. That certain Environmental Indemnity Agreement (the "**Existing Environmental Indemnity**") executed by Existing Borrowers and Guarantor, in favor of Lender.

B. Subsequently, Existing Borrowers and Lender entered into that certain Extension Agreement (Long Form) dated as of November 13, 2009 (the "**Extension Agreement (Long Form)**"). Pursuant to the Extension Agreement (Long Form), among other things, Lender confirmed that the Existing Borrowers successfully exercised their option to extend the Maturity Date to November 13, 2010 pursuant to Section 2.4 of the Loan Agreement.

C. Subsequently, Existing Borrowers and Lender entered into (i) that certain letter agreement dated as of October 21, 2010 (the "**First Letter Agreement**"), which, among other things, extended the maturity of the Note to February 13, 2011, (ii) that certain letter agreement dated as of February 23, 2011 (the "**Second Letter Agreement**"), which, among other things, extended the maturity of the Note to May 13, 2011, and (iii) that certain letter agreement dated as of April 14, 2011 (the "**Third Letter Agreement**", and collectively with the First Letter Agreement and the Second Letter Agreement, the "**Letter Agreements**"), which, among other things, extended the maturity of the Note to August 13, 2011.

D. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Loan Agreement.

E. As of the date of this Modification Agreement, prior to the Required Principal Payment (as described below), the outstanding principal balance of the Loan is Fifteen Million Eight Hundred Sixty Thousand and No/100 Dollars ($15,860,000.00). Existing Borrowers are not entitled to any further disbursements of loan proceeds under the Loan Documents.

F. As used in this Modification Agreement, the term "**Loan Documents**" means the Loan Agreement, the Amended and Restated Note (as defined below), the Deeds of Trust (as defined below), the Environmental Indemnity (as defined below), the Guaranty, the Extension Agreement (Long Form), the Seminole County Short Form, the Orange County Short Form, the Letter Agreements, the Short Forms (as defined below), the Shoemaker Environmental Indemnity Agreement (as defined below), the South Industrial Environmental Indemnity Agreement (as defined below), and the other "Loan Documents" described in the Loan Agreement. This Modification Agreement also shall constitute a Loan Document.

G. Additional Borrowers desire to assume all of Existing Borrowers' obligations to Lender under the Loan Documents. Additional Borrowers and Existing Borrowers have requested that Lender (i) consent to the assumption by Additional Borrowers of all of Existing Borrowers' obligations under the Loan Documents, without limiting Existing Borrowers' obligations to Lender in any respect, which obligations shall continue in full force and effect without offset as if Additional Borrowers did not exist, and (ii) consent to the addition of

the Shoemaker Property and the South Industrial Property, each as defined below, as Collateral under the Loan, all upon the terms and conditions set forth herein.

NOW, THEREFORE, with reference to the foregoing information, and in consideration of the mutual covenants and agreements contained in this Modification Agreement, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrowers and Lender agree as follows:

1. **REPRESENTATIONS AND WARRANTIES.** Borrowers represent and warrant, as of the Effective Date (as defined in Section 2.17 below) that:

1.1 **REPRESENTATIONS**. The statement of facts set forth above is true and correct, and is hereby incorporated herein as an agreement of Borrowers and Lender. Existing Borrowers hereby represent and warrant to Lender that (a) to Existing Borrowers' actual knowledge, no Event of Default or Unmatured Event of Default has occurred and is continuing that would not otherwise be cured by the effectiveness of this Modification Agreement, and (b) all representations and warranties of Existing Borrowers contained in the Loan Agreement or in any of the other Loan Documents (as the Loan Agreement and such other Loan Documents are amended hereby) are true and correct as of the date hereof, except to the extent that such representations or warranties were made as of a specific date, in which case such representation or warranty was true and correct as of such date. Existing Borrowers reaffirm all of their obligations under the Loan Documents and relating to any Swap Contracts, and Existing Borrowers acknowledge that they have no claims, offsets or defenses with respect to the payment of sums due under the Existing Note or under any Swap Contracts. Without limiting the foregoing, Borrowers reaffirm Lender's right, following the occurrence and during the continuance of any Event of Default, to apply any and all payments made by Borrowers or otherwise received by Lender with respect to the Loan and any Swap Contracts between any one or more Borrowers and Lender, including without limitation all proceeds received from the sale or liquidation of any collateral, to the obligations owing by Borrowers under the Loan Documents and Swap Contracts in such order and manner deemed appropriate by Lender in its sole discretion, and Borrowers acknowledge that they shall have no right to direct Lender as to such application or designate the portion of the obligation to be satisfied.

2. **MODIFICATION OF LOAN DOCUMENTS**. The Loan Agreement (and the other Loan Documents) are hereby supplemented and modified to incorporate the following terms, which shall supersede and prevail over any conflicting provisions (which modifications shall be effective as of the Effective Date (except as otherwise indicated):

2.1 **DEFINITIONS**.

a. The following definitions (i) are hereby added to Section 1.1 of the Loan Agreement and/or (ii) amend and restate, in their entirety, the existing definitions contained in Section 1.1 of the Loan Agreement, as applicable:

"**Carry Constant**" shall mean the ratio for which the numerator is the Net Operating Income of the Projects, and the denominator is the Outstanding Loan Amount.

"**County**" shall mean each County in each state where one of the Properties is located.

"**Deed of Trust" or "Deeds of Trust"** shall collectively mean each Mortgage, Assignment, Security Agreement and Fixture Filing, each Deed of Trust, Assignment, Security Agreement and Fixture Filing, and each Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing executed by any Borrower, as mortgagor, and naming Lender, as

mortgagee, creating a first priority lien on a Property, the Improvements, and all other buildings, fixtures and improvements now or hereafter owned or acquired by a Borrower and situated on such Property, and all rights and easements appurtenant thereto, securing indebtedness and obligations pursuant to the Loan Documents and any Swap Contracts with Lender or its Affiliates, all in form and substance acceptable to Lender, as such deeds of trust or mortgages may be amended, modified, supplemented, renewed and restated from time to time.

"**Net Operating Income**" shall mean, as of a particular date of determination, an amount equal to (a) the contractually scheduled rental payments from the Projects based on executed Leases with tenants that (i) have taken physical occupancy (or have delayed taking physical occupancy solely to allow for the completion of tenant improvement build-outs), (ii) have commenced rental payment (or have not yet commenced rental payment solely as a result of a free rent period provided for under the Lease), and (iii) have not defaulted or made a claim of any offset or right to terminate due to any default by the landlord under the applicable Lease, for the twelve (12) month period immediately following the date of determination, plus (b) the sum of (i) expense reimbursements actually received from the Projects (from tenants under leases that are included in the calculation of rental payments under the foregoing clause (a)) for the twelve (12) month period immediately preceding the date of determination, and (ii) Lender's reasonable good faith estimate of the expense reimbursements to be paid under any new Leases (which would be included in the calculation of rental payments under the foregoing clause (a)) for the twelve (12) month period immediately following the date of determination, minus (c) non-capital operating expenses for the twelve (12) month period immediately preceding the date of determination.

"**Outstanding Loan Amount**" shall mean, as of a particular date of determination, all principal amounts then owing under the Loan and the Loan Documents.

"**Projects**" shall collectively mean the Goldenrod Project, the Hanging Moss Project, the Progress Way Project, the Winter Garden Project, the South Industrial Project, and the Shoemaker Project.

"**Properties**" shall mean, collectively the Goldenrod Property, the Hanging Moss Property, the Progress Way Property, the Winter Garden Property, the South Industrial Property, and the Shoemaker Property.

"**Shoemaker Project**" shall mean the Shoemaker Property and the Improvements thereon.

"**Shoemaker Property**" shall mean the real property described in Exhibit A-5 attached hereto.

"**South Industrial Project**" shall mean the South Industrial Property and the Improvements thereon.

"**South Industrial Property**" shall mean the real property described in Exhibit A-6 attached hereto."

2.2 **REDUCED COMMITMENT**. Notwithstanding anything else to the contrary in the Loan Documents, following the Required Principal Payment (as defined below), as of the Effective Date, the maximum loan amount available to Borrowers under the Loan shall be reduced from $15,860,000.00 to $15,360,000.00 (the "**Reduced Commitment**"), and Borrowers shall not be entitled to any further disbursements of Loan proceeds. At no time during the term of the Loan shall the outstanding amounts owing under the Loan exceed the Reduced Commitment. Any amounts repaid under the Loan may not be re-borrowed.

2.3 **AMENDED AND RESTATED NOTE**. On or prior to the Effective Date, Borrowers shall execute and deliver to Lender that certain Amended and Restated Promissory Note in the face principal amount of $15,360,000.00 (the “**Amended and Restated Note**”), dated as of even date herewith, to the order of Lender, which amends, restates and replaces the Note, in its entirety. Any reference in any of the Loan Documents to the Note shall hereby be deemed to be a reference to the Amended and Restated Note.

2.4 **INTEREST**. Sections 2.3(a), (b) and (c) of the Loan Agreement are hereby deleted in their entirety and replaced with the following:

“(a) Interest Rate. Borrower shall pay to Lender interest on the Loan as specified in the Note.

(b) Intentionally Deleted.

(c) Intentionally Deleted.”

2.5 **MATURITY DATE; EXTENSION OPTIONS**. The Maturity Date is hereby extended from August 13, 2011 to February 13, 2012. All amounts outstanding under the Loan shall be due and payable no later than this extended Maturity Date. Any references in any of the Loan Documents to the Maturity Date in any of the Loan Documents shall refer to the Maturity Date as hereby extended. Borrowers shall have the option to extend the term of the Loan (the “**First Extension**”) from the Maturity Date (for purposes of this Section, the “**Original Maturity Date**”) to February 13, 2013 (for purposes of this Section, the “**First Extension Maturity Date**”), and upon the expiration of the First Extension, Borrowers shall have the option to further extend the term of the Loan (the “**Second Extension**”) from the First Extension Maturity Date to February 13, 2014 (for purposes of this Section, the “**Second Extension Maturity Date**”), each such Extension being subject to the satisfaction of each of the following conditions precedent:

a. Borrowers shall provide Lender with written notice of Borrowers’ irrevocable request to exercise their option to extend the Maturity Date not more than ninety (90) days but not less than forty five (45) days prior to (i) the Original Maturity Date, in the case of the First Extension, and (ii) the First Extension Maturity Date, in the case of the Second Extension;

b. As of the date of Borrowers’ delivery of notice of request to exercise their option to extend, and as of the date of the commencement of the applicable Extension, no Event of Default or Unmatured Event of Default shall have occurred and be continuing, and Borrowers shall so certify in writing to the best of their knowledge;

c. Immediately prior to the commencement of each Extension, Borrowers shall pay to Lender an extension fee equal to one-half of one percent (0.5%) of the then-outstanding principal balance of the Loan;

d. The then existing Loan-to-Value Ratio of the Loan does not exceed (i) sixty-seven percent (67%) of the appraised value of the Projects based on an updated Appraisal of the Projects to be ordered by Lender at Borrowers’ expense, determined as of a date within 90 days prior to the Original Maturity Date, in the case of the First Extension; or (ii) sixty-five percent (65%) of the appraised value of the Projects based on an updated Appraisal of the Projects to be ordered by Lender at Borrowers’ expense, determined as of a date within 90 days prior to the First Extension Maturity Date, in the case of the Second Extension, provided, however, if the Loan-to-Value Ratio (as determined by Lender) is not adequate to meet the required Loan-to-Value Ratio, then Borrowers may pay down the outstanding principal balance of the Loan such that the required Loan-to-Value Ratio is met;

e. The Projects shall have achieved a Carry Constant of at least (i) ten and one-half percent (10.5%) as of a date within 90 days prior to the Original Maturity Date, in the case of the First Extension, or (ii) eleven percent (11%) as of a date within 90 days prior to the First Extension Maturity Date, in the case of the Second Extension, provided, however, if the Carry Constant (as determined by Lender) is not adequate to meet the required Carry Constant, then Borrowers may pay down the outstanding principal balance of the Loan such that the required Carry Constant is met.

Notwithstanding the foregoing, the Second Extension may not come into effect unless the First Extension shall have been in effect. If each of the foregoing conditions precedent are satisfied, and the Original Maturity Date is extended as provided above to the First Extended Maturity Date or the Second Extended Maturity Date, as applicable, as used herein and in the other Loan Documents, the term “Maturity Date” shall thereafter mean the First Extended Maturity Date or the Second Extended Maturity Date, as applicable.

2.6 **INFORMATION AND STATEMENTS**. Sections 10.8(a) and 10.8(c) of the Loan Agreement are hereby deleted in their entirety and replaced with the following:

“(a) as soon as the same are available, and in any event within one hundred (100) days after the end of each quarterly period (beginning each January 1 to March 31, April 1 to June 30, July 1 to September 30, and October 1 to December 31), a copy of the current financial statements of each Guarantor, prepared in accordance with generally accepted accounting principals consistently applied, which shall consist of (1) a balance sheet as of the end of the relevant fiscal period, (2) statements of income and expenses of each Guarantor for such fiscal period (together, in each case, with the comparable figures for the corresponding period of the previous fiscal year), (3) statements of income and expenses and changes in financial position of each Project for such fiscal period (together, in each case with comparable figures for the corresponding period of the previous fiscal year), and (4) cash flow statements of Guarantor (and financial statements for each such Guarantor shall be certified by an officer of Guarantor). In addition to the preceding, each of the foregoing documents shall be delivered to Lender with respect to each Borrower at the end of each quarterly period (beginning each January 1 to March 30, April 1 to June 30, July 1 to September 30; and each October 1, to December 31), as soon as the same are available, and in any event within 45 days after the end of each fiscal quarter.

(c) monthly property reports which shall consist of an income statement, balance sheet, and rent roll for each of the Projects for the preceding month, in form and detail satisfactory to Lender, within 30 days after the close of each month;”

2.7 **GUARANTY**. The first sentence of Section 31(b) of the Guaranty is hereby deleted in its entirety and replaced with the following:

“The “Remargin Amount” shall be the amount by which (a) the sum of the total aggregate indebtedness then owing under the Loan Documents or (if foreclosure has already occurred) outstanding at the time of foreclosure (and regardless of and without any deduction for the amount bid at any foreclosure sale), exceeds (b) (i) seventy percent (70%) of the collective Completed Value (described below) of each of the Projects as of the Determination Date, if the Determination Date is prior to Borrowers’ exercise of the First Extension (as defined in the Loan Agreement), (ii) sixty-seven percent (67%) of the collective Completed Value of each of the Projects as of the Determination Date, if the Determination Date is during the term of the First Extension, or (iii) sixty-five percent (65%) of the collective Completed Value of each of the

Projects as of the Determination Date, if the Determination Date is during the term of the Second Extension (as defined in the Loan Agreement)."

2.8 ASSUMPTION OF LIABILITY BY ADDITIONAL BORROWER. As of the Effective Date, Additional Borrowers hereby: (a) assume and agree to pay and perform, jointly and severally with Existing Borrowers, all indebtedness and obligations of the "Borrower" under the Loan Documents, whenever accruing (past, present or future) with the same force and effect as if Additional Borrowers had originally executed and delivered the Loan Documents along with Existing Borrowers; (b) agree to fully and timely perform, jointly and severally with Existing Borrowers, each and every term and condition of the Loan Documents; (c) agree to be bound by all of the conditions and covenants in the Loan Documents; (d) acknowledge that nothing in this Modification Agreement shall affect the priority of the liens of the Deeds of Trust over any other liens and encumbrances affecting the Projects; (f) agree that the Deeds of Trust shall secure all other sums that may be advanced in the future by Lender to Additional Borrowers when such sums are evidenced by one or more promissory notes or other writings stating that they are so secured; and (g) specifically join into and agree to be bound by the terms and conditions of Section 12.28 of the Loan Agreement (the "Joint Borrower Provisions").

2.9 ADDITION OF SHOEMAKER PROPERTY AND SOUTH INDUSTRIAL PROPERTY. In connection with this Modification Agreement, Shoemaker Borrower shall pledge, as additional Collateral under the Loan, the Shoemaker Property. In connection therewith, Shoemaker Borrower shall execute and deliver to Lender, on or prior to the Effective Date, that certain Deed of Trust, Assignment, Security Agreement and Fixture Filing dated as of even date herewith encumbering the Shoemaker Property (the "**Shoemaker Deed of Trust**"). Additionally, in connection with this Modification Agreement, South Industrial Borrower shall pledge, as additional Collateral under the Loan, the South Industrial Property. In connection therewith, South Industrial Borrower shall execute and deliver to Lender, on or prior to the Effective Date, that certain Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing dated as of even date herewith encumbering the South Industrial Property (the "**South Industrial Deed of Trust**", and collectively with the Shoemaker Deed of Trust, the "**Additional Collateral Deeds of Trust**"). For the avoidance of doubt, the Additional Collateral Deeds of Trust shall constitute "Deeds of Trust", as such term is defined in the Loan Agreement. In accordance with the terms and provisions thereof, the Additional Collateral Deeds of Trust shall secure, among other things, Existing Borrowers' and Additional Borrowers' obligations under the Loan Documents. Additionally, on prior to the Effective Date, Shoemaker Borrower and Guarantor shall execute and deliver to Lender that certain Environmental Indemnity Agreement (the "**Shoemaker Environmental Indemnity Agreement**"), of even date herewith, with respect to the Shoemaker Property, and, on or prior to the Effective Date, South Industrial Borrower and Guarantor shall execute and deliver to Lender that certain Environmental Indemnity Agreement (the "**South Industrial Environmental Indemnity Agreement**"), of even date herewith, with respect to the South Industrial Property, each in form and substance satisfactory to Lender. Further, Exhibits A-5 and A-6 attached hereto, which contain descriptions of the Shoemaker Property and the South Industrial Property, respectively, are hereby inserted and attached to the Loan Agreement as Exhibits A-5 and A-6 thereto.

2.10 EXHIBIT D TO LOAN AGREEMENT. Exhibit D to the Loan Agreement is hereby deleted in its entirety and replaced with the Exhibit D attached hereto.

2.11 SECURITY INTEREST. For the purpose of securing all obligations of Additional Borrowers and Existing Borrowers contained in the Loan Documents, Additional Borrowers hereby grant to Lender a security interest in all of their interests in the Shoemaker Property and the South Industrial Property that is personal property and that is now owned or hereafter acquired by Additional Borrowers. Additional Borrowers hereby authorize Lender at any time and from time

to time to file in any filing office in any UCC jurisdiction one or more financing or continuation statements and amendments thereto, relative to all or any part of the Projects, without the signature of Additional Borrowers where permitted by law. Lender and Additional Borrowers acknowledge and agree that the Guaranty and each Environmental Indemnity continue to not be secured by the Deeds of Trust.

2.12 **NO RELEASE OF EXISTING BORROWER**. Nothing contained in this Modification Agreement shall constitute a release, waiver, relinquishment or termination of any of Existing Borrowers' indebtedness or obligations under the Loan Documents. Existing Borrowers hereby ratify, confirm and reaffirm all of such indebtedness and obligations, which remain unmodified (except as modified by this Modification Agreement) and in full force and effect.

2.13 **CONSENT TO ASSUMPTION**. As of the Effective Date, Lender hereby consents to the assumption by Additional Borrowers of the Loan and of all obligations under the Loan Documents, and the addition of Additional Borrowers to the parties (along with Existing Borrowers) that collectively constitute the "Borrower" under the Loan Agreement and the other Loan Documents. This consent is made solely for the benefit of the parties hereto and shall not be deemed, nor shall the same constitute, a waiver by Lender of any of its rights under any of the Loan Documents. This consent by Lender shall not constitute a consent to any subsequent assignment or transfer and shall not relieve Additional Borrowers, Existing Borrowers or any Person claiming under or through Additional Borrowers or Existing Borrowers of the obligation to obtain Lender's consent, in accordance with the Loan Agreement, to any future assignment or transfer.

2.14 **NO OTHER MODIFICATIONS**. Except as expressly set forth in this Modification Agreement, the Loan Documents shall be and remain unmodified and in full force and effect.

2.15 **SECURED OBLIGATIONS**. The Deeds of Trust and all other Loan Documents which secure Borrowers' indebtedness and obligations under the Loan Documents (but excluding those documents which expressly do not secure Borrowers' indebtedness and obligations under the Loan Documents) shall secure, in addition to all other indebtedness and obligations secured thereby, the payment and performance of all present and future indebtedness and obligations of Borrowers under this Modification Agreement, the Amended and Restated Note, and any and all amendments, modifications, renewals and/or extensions of this Modification Agreement or the Amended and Restated Note, regardless of whether any such amendment, modification, renewal or extension is evidenced by a new or additional instrument, document or agreement. Each of the Borrowers acknowledges, agrees and reaffirms that each of the Deeds of Trust secures, in addition to all other indebtedness and obligations stated or specified therein to be secured thereby, (i) all indebtedness and obligations owing under the Loan Agreement, as amended hereby (and as the same may hereafter be further amended or modified from time to time), (ii) all indebtedness and obligations owing under the Amended and Restated Note (as the same may hereafter be further amended or modified from time to time), (iii) all indebtedness and obligations owing under or in connection with any and all Swap Contracts between Wells Fargo Bank, National Association (or its Affiliates and/or successors) and any one or more Borrowers (or their Affiliates), and (iv) all "Obligations," as that term is defined in each of the Deeds of Trust. The Deeds of Trust shall not secure any Environmental Indemnity, the Guaranty, or any other Loan Document that is expressly stated to be unsecured.

2.16 **DEFINITIONS**. Except as provided in this Modification Agreement, all references in the Loan Agreement and in the other Loan Documents (i) to the Note shall mean the Amended and Restated Note, (ii) to the Loan Agreement shall mean the Loan Agreement as amended by this Modification Agreement, (iii) to the Environmental Indemnity shall include, without limitation, the Existing Environmental Indemnity, the Shoemaker Environmental Indemnity Agreement and the South Industrial Environmental Indemnity Agreement, (iv) to the Guaranty shall mean the Guaranty as

amended by this Modification Agreement, (v) to the Deeds of Trust shall include, without limitation, the Existing Deeds of Trust, the Shoemaker Deed of Trust and the South Industrial Deed of Trust, (vi) to Borrower shall mean the Existing Borrowers and the Additional Borrowers, individually and collectively, (vii) to the Loan Documents shall mean the Loan Documents as such term is defined in this Modification Agreement, and (viii) to any particular Loan Document shall mean such Loan Document as modified by this Modification Agreement, and all prior amendments, or any document executed pursuant thereto.

2.17 **CONDITIONS PRECEDENT**. Before this Modification Agreement becomes effective (the "**Effective Date**") and Lender becomes obligated under it, all of the following conditions shall have been either (i) satisfied at Borrowers' sole cost and expense in a manner acceptable to Lender in the exercise of its sole judgment or (ii) waived by Lender in writing. Once all of the following conditions have been satisfied or waived by Lender in accordance with the foregoing sentence, the Effective Date shall be deemed to be August 12, 2011.

a. Lender shall have received from Borrowers a principal payment (the "**Required Principal Payment**") in the amount of $500,000.00 from Borrowers' own funds (i.e., not from Loan funds).

b. Lender shall have received from Borrowers the modification fee in the amount of $37,150.00.

c. Lender shall have received reimbursement, in immediately available funds, of all costs and expenses incurred by Lender in connection with this Modification Agreement or of any other amounts owing under the Loan.

d. Lawyers Title Insurance Corporation ("**Title Company**") shall have issued and delivered to Lender, or shall have irrevocably and unconditionally committed to issue for the benefit of Lender, such endorsements to the title policies issued in connection with the Existing Deeds of Trust as Lender shall request to insure the validity and continuing first position lien priority of the Deeds of Trust, as amended hereby, including a Modification of Mortgage Endorsement (with no creditor's rights exception).

e. Title Company shall have issued and delivered to Lender, or shall have irrevocably and unconditionally committed to issue for the benefit of Lender, such title policies issued in connection with the Additional Collateral Deeds of Trust as Lender shall request to insure the valid and first position lien priority of the Additional Collateral Deeds of Trust, including any endorsements thereto required by Lender in its sole discretion.

f. Lender shall have received from Additional Borrowers all documents evidencing the formation, organization, valid existence and good standing of Additional Borrowers.

g. Lender shall have filed UCC-1 financing statements with the applicable Secretary of State's office to perfect Lender's security interest in the personal property described in the Shoemaker Deed of Trust and the South Industrial Deed of Trust.

h. Lender shall have received fully executed originals of this Modification Agreement, the Amended and Restated Note, the Short Forms, the Additional Collateral Deeds of Trust, the Shoemaker Environmental Indemnity Agreement, the South Industrial Environmental Indemnity Agreement, and the Consent of Guarantors attached hereto, any appropriate officer certificates or other certificates requested by Lender, and such other documents and agreements as Lender shall request, all in form and substance satisfactory to Lender.

i. Lender shall have received legal opinions issued by counsel for Borrowers, opining as to the due organization, valid existence and good standing of the Additional Borrowers, and the due authorization, execution, delivery, enforceability and validity of this Modification Agreement, the Amended and Restated Note, the Short Forms, the Additional Collateral Deeds of Trust, the Shoemaker Environmental Indemnity Agreement, the South Industrial Environmental Indemnity Agreement with respect to each Borrower.

j. Borrowers shall have paid Lender's attorneys fees, and all costs and expenses of recording and issuing all required title policy endorsements.

k. No change shall have occurred in the financial condition of Borrowers, any Guarantor or in the Projects, which would have, in Lender's sole judgment, a material adverse effect on the Projects or on Borrowers' or any Guarantor's ability to repay the Loan or otherwise perform its obligations under the Loan Documents.

l. The representations and warranties contained in the Loan Agreement and in all other Loan Documents are true and correct as of the date hereof and as of the Effective Date, except to the extent that such representations or warranties were made as of a specific date, in which case such representation or warranty was true and correct as of such date.

m. Lender shall have received all documents evidencing the formation, organization and valid existence of the Existing Borrowers and any Guarantor which is an entity (to the extent such documents have been amended from the versions previously sent to Lender or have not previously been delivered to Lender) and the authorization for the execution, delivery, and performance of the Agreement.

n. No Event of Default or Unmatured Event of Default has occurred and is continuing.

2.18 Post-Closing Obligation. On or prior to fifteen (15) days following the Effective Date, Borrower shall deliver to Lender (i) a filed qualification for Shoemaker Borrower to do business in California, (ii) a good standing certificate for Shoemaker Borrower issued by the California Secretary of State, (iii) a filed qualification for South Industrial Borrower to do business in Arizona, (iv) a good standing certificate for South Industrial Borrower issued by the Arizona Secretary of State.

3. **WARRANTIES**. Each Borrower is duly organized and validly existing. Except as previously disclosed in writing by Borrowers to Lender, there have been no changes in the organization, composition, ownership structure or formation documents of any Existing Borrower since the Closing Date. Each Guarantor that is an entity is duly formed and validly existing, and has the power to own its assets, to transact the business in which it is now engaged and to continue to guaranty the Loan. Except as previously disclosed in writing by Borrowers to Lender, there have been no changes in the organization, composition, or ownership of any Guarantor which are entities since the Closing Date.

3.1 **ADDITIONAL BORROWER AFFIRMATION**: Additional Borrowers hereby acknowledge and agree that:

a. all of the terms, provisions, covenants, representations, warranties, conditions and stipulations contained in the Loan Documents, and all of "Borrowers'" obligations under the Loan Documents, as assumed hereunder, are hereby ratified and confirmed by Additional Borrowers in all respects, and shall continue to apply with full force and effect to Additional Borrowers from and after the date hereof;

b. all of the representations and warranties made by the "Borrower" under the Loan Documents shall be deemed to be remade by Additional Borrowers as of the date hereof with respect to all matters specified therein and with respect to this Modification Agreement fully as if set forth herein, all of which remain true and correct;

c. as of the Effective Date, the obligations of "Borrower" under the Loan Documents, as assumed hereunder, are not subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender or compromise;

d. as of the Effective Date, there are no offsets, defenses or counterclaims to the obligations under the Loan Documents which have been assumed by Additional Borrowers hereunder; and

e. as of the Effective Date, no Event of Default exists under any of the Loan Documents;

f. as of the Effective Date, Additional Borrowers have personal knowledge of all terms and conditions of the Loan Documents, and further agree that Lender has no obligation or duty to provide any information to Additional Borrowers regarding the terms and conditions of the Loan Documents. Additional Borrowers further understand and acknowledge that, except as expressly provided in this Modification Agreement, Lender has not waived any right of Lender or obligation of "Borrower" under the Loan Documents and Lender has not agreed to any modification of any provision of any Loan Document or to any extension of the Loan.

4. **NON-IMPAIRMENT.** Except as expressly provided herein, nothing in this Modification Agreement shall alter or affect any provision, condition or covenant contained in the Loan Agreement or other Loan Documents or affect or impair any rights, powers or remedies thereunder, and the parties hereto intend that the provisions of the Loan Agreement and other Loan Documents shall continue in full force and effect except as expressly modified hereby.

5. **MISCELLANEOUS.** This Modification Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida applicable to contracts made and performed in such state, without regard to the principles thereof regarding conflict of laws, and any applicable laws of the United States of America. The headings used in this Modification Agreement are for convenience only and shall be disregarded in interpreting the substantive provisions of this Modification Agreement. If any provision of this Modification Agreement shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that portion shall be deemed severed herefrom and the remaining parts shall remain in full force as though the invalid, illegal or unenforceable provision had never been a part hereof. As used in this Modification Agreement, the term "**include(s)**" shall mean "include(s), without limitation," and the term "**including**" shall mean "including, but not limited to." In the event of any inconsistency between this Modification Agreement and the Loan Documents, this Modification Agreement shall govern.

6. **COUNTERPARTS.** The Loan Documents, including this Modification Agreement, contain or expressly incorporate by reference the entire agreement of the parties with respect to the matters contemplated therein, and supersede all prior negotiations. No reference to this Modification Agreement is necessary in any instrument or document at any time referring to a Loan Document. Any reference to a Loan Document (including in any other Loan Document) shall be deemed a reference to such document as amended hereby.

7. **INTEGRATION; INTERPRETATION.** This Modification Agreement contains or expressly incorporates by reference the entire agreement of the parties with respect to the matters contemplated herein and supersedes all prior negotiations or agreements, written or oral, and shall not be modified except by written instrument executed by all parties.

8. **GENERAL RELEASE**. As further inducement to Lender to enter into this Modification Agreement, Existing Borrowers and each Guarantor (by their execution of the Guarantor's Consent attached hereto) hereby release Lender as follows:

8.1 Existing Borrowers, each Guarantor and their respective heirs, successors and assigns (collectively, the "**Releasing Parties**") do hereby release, acquit and forever discharge Lender of and from any and all claims, demands, obligations, liabilities, indebtedness, breaches of contract, breaches of duty or any relationship, acts, omissions, misfeasance, malfeasance, cause or causes of action, debts, sums of money, accounts, compensation, contracts, controversies, promises, damages, costs, losses and expenses of every type, kind, nature, description, or character, whether known or unknown, suspected or unsuspected, liquidated or unliquidated, each as though fully set forth herein at length, which in any way arise out of, are connected with or related to the Loan Documents, this Modification Agreement or any earlier and/or other agreement or document referred to therein or any other action, claim, cause of action, demand, damage or cost of whatever nature as of the Effective Date (collectively, the "**Released Claims**").

8.2 The agreement of the Releasing Parties, as set forth in the preceding subparagraph 8.1 shall inure to the benefit of the successors, assigns, insurers, administrators, agents, employees, and representatives of Lender.

8.3 The Releasing Parties have read the foregoing release, fully understand the legal consequences thereof and have obtained the advice of counsel with respect thereto. The Releasing Parties further warrant and represent that they are authorized to make the foregoing release.

8.4 This release is not to be construed and does not constitute an admission of liability on the part of Lender. This release shall constitute an absolute bar to any Released Claim of any kind, whether such claim is based on contract, tort, warranty, mistake or any other theory, whether legal, statutory or equitable. The Releasing Parties specifically agree that any attempt to assert a claim barred hereby shall subject each of them to the provisions of applicable law setting forth the remedies for the bringing of groundless, frivolous or baseless claims or causes of action.

8.5 The Releasing Parties acknowledge and agree that they understand the meaning and effect of Section 1542 of the California Civil Code which provides:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

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Loan No. WB 13991

THE RELEASING PARTIES AGREE TO ASSUME THE RISK OF ANY AND ALL UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS WHICH ARE RELEASED, WAIVED AND DISCHARGED BY THIS AGREEMENT. THE RELEASING PARTIES HEREBY WAIVE AND RELINQUISH ALL RIGHTS AND BENEFITS WHICH THEY MIGHT OTHERWISE HAVE UNDER THE AFOREMENTIONED SECTION 1542 OF THE CALIFORNIA CIVIL CODE OR ANY SIMILAR FLORIDA LAW, TO THE EXTENT SUCH LAW MAY BE APPLICABLE, WITH REGARD TO THE RELEASE OF SUCH UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS. TO THE EXTENT THAT SUCH LAWS MAY BE APPLICABLE, THE RELEASING PARTIES WAIVE AND RELEASE ANY RIGHT OR DEFENSE WHICH THEY MIGHT OTHERWISE HAVE UNDER ANY OTHER LAW OF ANY APPLICABLE JURISDICTION WHICH MIGHT LIMIT OR RESTRICT THE EFFECTIVENESS OR SCOPE OF ANY OF ITS WAIVERS OR RELEASES HEREUNDER.

______________	______________	______________	______________
Progress Way Borrower's Initials	Winter Garden Borrower's Initials	Hanging Moss Borrower's Initials	Goldenrod Borrower's Initials
______________	______________	______________	
Cornerstone Core Properties, REIT, Inc.'s Initials	Cornerstone Realty Advisors, LLC's Initials	Cornerstone Operating Partnership, L.P.'s Initials	

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Loan No. WB 13991

IN WITNESS WHEREOF, Borrowers and Lender have caused this Modification Agreement to be duly executed as of the date first above written.

"LENDER"

WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as successor-by-merger to Wachovia Bank, National Association, a national banking association

By: /s/ Leslie Baines
Name: Leslie Baines
Title: VP

"BORROWERS"

COP-MONROE, LLC, a Florida limited liability company

By: COP—ORL ONE, LLC, a Florida limited liability company, its Manager

By: Cornerstone Operating Partnership, L.P., a Delaware limited partnership, its Manager

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its general partner

By: /s/ Sharon C. Kaiser
Name: Sharon C. Kaiser
Title: CFO

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COP-CARTER, LLC, a Florida limited liability company

By: COP—ORL ONE, LLC, a Florida limited liability company, its Manager

By: Cornerstone Operating Partnership, L.P., a Delaware limited partnership, its Manager

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its general partner

By: /s/ Sharon C. Kaiser
Name: Sharon C. Kaiser
Title: CFO

COP-HANGING MOSS, LLC, a Florida limited liability company

By: COP—ORL ONE, LLC, a Florida limited liability company, its Manager

By: Cornerstone Operating Partnership, L.P., a Delaware limited partnership, its Manager

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its general partner

By: /s/ Sharon C. Kaiser
Name: Sharon C. Kaiser
Title: CFO

COP-GOLDENROD, LLC, a Florida limited liability company

By: COP—ORL ONE, LLC, a Florida limited liability company, its Manager

By: Cornerstone Operating Partnership, L.P., a Delaware limited partnership, its Manager

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its general partner

By: /s/ Sharon C. Kaiser
Name: Sharon C. Kaiser
Title: CFO

Loan No. WB 13991

COP-SHOEMAKER, LLC, a Delaware limited liability company

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its Manager

By: /s/ Sharon C. Kaiser
Name: Sharon C. Kaiser
Title: CFO

COP-SOUTH INDUSTRIAL, LLC, a Delaware limited liability company

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its Manager

By: /s/ Sharon C. Kaiser
Name: Sharon C. Kaiser
Title: CFO

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

Loan No. WB 13991

GUARANTOR'S CONSENT

The undersigned, having read and understood the foregoing Assumption and Modification Agreement (Long Form) ("**Agreement**"), hereby (i) consent to all of the terms and provisions of the Agreement (including without limitation Sections 2.2, 2.3, 2.5, 2.7, 2.8, 2.9, 2.10, 2.11, 2.12, 2.14, 8 of the Agreement), (ii) agrees that the Agreement does not terminate or diminish any of the obligations of the undersigned to Lender under that certain Limited Guaranty dated November 13, 2007 executed by the undersigned (the "**Guaranty**"), or under that certain Environmental Indemnity Agreement dated as of November 13, 2007, and executed by the undersigned and Existing Borrowers in favor of Lender (the "**Environmental Indemnity Agreement**") and (iii) reaffirms its obligations under the Guaranty and Environmental Indemnity Agreement in light of the Agreement. The undersigned hereby acknowledges and agrees that Lender shall have the right to apply payments received from Borrowers to the Obligations in any manner elected by Lender, even if the manner of application does not reduce at all or to the greatest extent Guarantor's maximum aggregate obligation under the Guaranty for payment of the Guaranteed Obligations (as defined in the Guaranty). The undersigned, having reread the Guaranty and the Environmental Indemnity Agreement, and with advice of their own counsel, hereby reaffirm and restate all waivers, authorizations, agreements and understandings set forth in the Guaranty and the Environmental Indemnity Agreement, as though set forth in full herein. Capitalized terms used in this consent but not otherwise defined shall have the meanings ascribed to such terms in the Agreement or the Loan Agreement (as defined in the Agreement).

Dated as of: August 3, 2011.

"GUARANTOR"

"**Guarantor**"

CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation

By: ____________________
Name: ____________________
Title: ____________________

CORNERSTONE REALTY ADVISORS, LLC, a Delaware limited liability company

By: ____________________
Name: ____________________
Title: ____________________

CORNERSTONE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its general partner

By: ____________________
Name: ____________________
Title: ____________________

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

CONSENT

Loan No. WB13991

EXHIBIT A-5

REAL PROPERTY IN THE CITY OF SANTA FE SPRINGS, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

Parcel 1:

That portion of the Southwest quarter of the Northeast quarter of Section 20, Township 3 South, Range 11 West, in the Rancho Los Coyotes, in the City of Santa Fe Springs, County of Los Angeles, State of California, as shown on a copy of Map recorded in Book 41819, Page 141 et seq., Official Records, in the Office of the County Recorder of said County as set forth in the Lot Line Adjustment recorded August 28, 2002 as Document No. 02-2026133, described as follows:

Beginning at the intersection of the Westerly line of said Northeast quarter with the Southwesterly line of the Southern Pacific Railroad Right-of-Way 100 feet wide; thence along said Southwesterly line South 57°13’36” East 163.17 feet; thence South 00°12’23” West 42.00 feet; thence South 01°24’36” West 54.00 feet; thence South 00°12’23” West 62.53 feet; thence South 89°58’44” West 136.31 feet to the Westerly line of said Northeast quarter; thence Northerly along said Westerly line to the Point of Beginning.

Except the Westerly 15.00 feet of said land for roads, railroads and ditches as reserved in the Deed recorded in Book 934, Page 310 of Deeds.

Parcel 2:

That portion of the Southwest quarter of the Northeast quarter of Section 20, Township 3 South, Range 11 West, in the Rancho Los Coyotes, in the City of Santa Fe Springs, County of Los Angeles, State of California, as shown on a copy of Map, recorded in Book 41819, Page 141, et seq., Official Records, in the Office of the County Recorder of said County as set forth in the Lot Line Adjustment recorded August 28, 2002 as Document No. 02-2026133, described as follows:

Beginning at the intersection of the Westerly line of said Northeast quarter with the Southwesterly line of the Southern Pacific Railroad Right-of-Way 100 feet wide; thence along said Southwesterly line South 57°13’36” East, 163.17 feet; thence South 00°12’23” West 42.00 feet; thence South 01°24’36” West 54.00 feet; thence South 00°12’23” West, 62.53 feet to the True Point of Beginning of this description; thence continuing South 00°12’23” West, 180.37 feet; thence South 89°58’44” West, 136.25 feet to the Westerly line of said Northeast quarter; thence Northerly along said Westerly line North 00°11’20” East, 180.37 feet; thence North 89°58’44” East 138.31 feet to the True Point of Beginning.

Except the Westerly 15.00 feet of said land for roads, railroads and ditches, as reserved in the Deed recorded in Book 934, Page 310 of Deeds.

Assessor’s Parcel Number: 7005-001-036 and 7005-001-037

Loan No. WB13991

EXHIBIT A-6

REAL PROPERTY IN THE CITY OF TEMPE, COUNTY OF MARICOPA, STATE OF ARIZONA**,** DESCRIBED AS FOLLOWS:

Lot 26, PALO VERDE INDUSTRIAL PARK, according to Book 105 of Maps, page 31, records of Maricopa County, Arizona.

BOWNE INTEGRATED TYPESETTING SYSTEM Site: BOWNE OF IRVINE Phone: (949) 476-0505 Operator: BIV33019 Date: 15-AUG-2011 16:34:59.83
Name: CORNERSTONE CORE PRO [E/O] CRC: 51682 BLA A58036 710.02.20.00 0/1
A58036.SUB, DocName: EX-10.2, Doc: 3, Page: 20 EDGAR 2
Description: Exhibit 10.2

Loan No. WB13991

EXHIBIT D

LEASING CRITERIA

**	Maximum Footage:	Square	Minimum Initial Rental Rate and Annual Rent Increases	Minimum Term
Goldenrod:	5,000		$7.25/sf annually, net, 3% annual increases	2 years
Hanging Moss:	6,000		$7.25/sf annually, net, 3% annual increases	2 years
Progress Way:	6,000		$7.25/sf annually, net, 3% annual increases	2 years
Winter Garden:	3,000		$7.25/sf annually, net, 3% annual increases	2 years
Shoemaker:	5,000		$8.40/sf annually, net, 3% annual increases	2 years
South Industrial:	2,500		$6.12/sf annually, net, 3% annual increases	2 years

** Notwithstanding the above, lease renewal terms currently set forth in leases existing as of the Closing Date are considered pre-approved

Loan No. WB13991

STATE OF CALIFORNIA)
)
COUNTY OF _____________)

On ____________________, before me, ____________________, a Notary Public, personally appeared ____________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) 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 ______________________________

STATE OF CALIFORNIA)
)
COUNTY OF _____________)

On ____________________, before me, ____________________, a Notary Public, personally appeared ____________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) 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 ______________________________

ACKNOWLEDGMENT

Loan No. WB13991

STATE OF CALIFORNIA)
)
COUNTY OF _____________)

On ____________________, before me, ____________________, a Notary Public, personally appeared ____________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) 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 ______________________________

STATE OF CALIFORNIA)
)
COUNTY OF _____________)

On ____________________, before me, ____________________, a Notary Public, personally appeared ____________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) 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 ______________________________

ACKNOWLEDGMENT

Loan No. WB13991

STATE OF CALIFORNIA)
)
COUNTY OF _____________)

On ____________________, before me, ____________________, a Notary Public, personally appeared ____________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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Signature _______________________________

STATE OF CALIFORNIA)
)
COUNTY OF _____________)

On ____________________, before me, ____________________, a Notary Public, personally appeared ____________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) 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 _______________________________

ACKNOWLEDGMENT

Loan No. WB13991

STATE OF CALIFORNIA)
)
COUNTY OF _____________)

On ____________________, before me, ____________________, a Notary Public, personally appeared ____________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) 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 ______________________________

ACKNOWLEDGMENT

Loan No. WB13991

AMENDED AND RESTATED PROMISSORY NOTE SECURED BY DEED OF TRUST

$15,360,000.00 Date: August 3, 2011

1. **PROMISE TO PAY. FOR VALUE RECEIVED**, the undersigned COP-Monroe, LLC, a Florida limited liability company ("**Progress Way Borrower**"), COP-Carter, LLC, a Florida limited liability company ("**Winter Garden Borrower**"), COP-Hanging Moss, LLC, a Florida limited liability company ("**Hanging Moss Borrower**"), COP-Goldenrod, LLC, a Florida limited liability company ("**Goldenrod Borrower**", and collectively with Progress Way Borrower, Winter Garden Borrower and Hanging Moss Borrower, "**Original Borrower**"), COP-South Industrial, LLC, a Delaware limited liability company, and COP-Shoemaker, LLC, a Delaware limited liability company (collectively with the Original Borrower, "**Borrower**") promise(s) to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as successor-by-merger to Wachovia Bank, National Association, a national banking association ("**Lender**"), at the Minneapolis Loan Center, 608 2nd Ave South, 11th Floor, Minneapolis, MN 55402, or at such other place as may be designated in writing by Lender, the principal sum of FIFTEEN MILLION THREE HUNDRED SIXTY THOUSAND AND NO/100THS DOLLARS ($15,360,000.00) or so much thereof as may from time to time be owing hereunder by reason of advances by Lender to or for the benefit or account of Borrower, with interest thereon, per annum, at the Effective Rate (as hereinafter defined) calculated in accordance with the terms and provisions of the Interest Rate Provisions Agreement attached to this note ("**Note**") as Exhibit A (based on a 360-day year and charged on the basis of actual days elapsed). All sums owing hereunder are payable in lawful money of the United States of America, in immediately available funds without offset, deduction or counterclaim of any kind. This Note amends, restates and replaces, in its entirety, that certain Promissory Note dated as of November 13, 2007, executed by Original Borrower to the order of Lender in the principal face amount of $22,420,500.00 (as amended, the "**Existing Note**"). This Note is not intended to, nor shall it be construed to, constitute a novation of the Existing Note or the obligations contained therein. All sums previously paid under the Existing Note have been earned by and shall be retained by Lender. All sums currently owing under the Existing Note shall be deemed to be transferred to and owing under this Note.

2. **INTEREST; PRINCIPAL**. Interest accrued on this Note shall be due and payable on the 1st Business Day of each month commencing with the first month after the date of this Note. Notwithstanding anything to the contrary contained in this Note or the Interest Rate Provisions Agreement attached to this Note as Exhibit A, in no event shall the interest rate on the outstanding principal balance of this Note at any time be less than four and one-half percent (4.50%) per annum based on a 360-day year and charged on the basis of actual days elapsed (**"Interest Rate Floor").** Notwithstanding the foregoing, if Borrower and Lender now or hereafter enter into an interest rate swap transaction in connection with this Note, THEN, for the duration of such interest rate swap transaction, the Interest Rate Floor shall not apply to so much of the principal balance of this Note as is equal to the notional amount of such interest rate swap transaction. On the 1st Business Day of each month commencing with the first month after the date of this Note, Borrower shall make a principal payment to Lender in the amount of $30,000.00 each.

DOCUMENTARY STAMP TAXES IN THE AMOUNT OF $53,760 HAVE BEEN PURCHASED AND AFFIXED TO THE MEMORANDUM OF MODIFICATION AGREEMENT AMENDING MORTGAGE SECURING THIS NOTE

Loan No. WB13991

3. **MATURITY DATE**. The outstanding principal balance of this Note, together with all accrued and unpaid interest, shall be due and payable in full on February 13, 2012 ("**Maturity Date**"), as such Maturity Date may be extended pursuant to the terms and conditions of Section 2.5 of that certain Assumption and Modification Agreement (Long Form) dated as of even date herewith executed by Borrower and Lender (the "**Assumption and Modification Agreement**"). Principal amounts outstanding hereunder, upon which repayment obligations exist and interest accrues, shall be determined by the records of the Lender, which shall be deemed to be conclusive in the absence of clear and convincing evidence to the contrary presented by Borrower.

6. **SECURED BY DEED OF TRUST**. This Note is secured by, among other things, the Deeds of Trust (as defined in the Loan Agreement referenced below) and the other Loan Documents as defined in that certain Loan Agreement dated as of November 13, 2007, executed by Original Borrower and Lender as amended by that certain Extension Agreement dated as of November 13, 2009 executed by Original Borrower and Lender, that certain letter agreement dated as of October 21, 2010 executed by Original Borrower and Lender, that certain letter agreement dated as of February 23, 2011 executed by Original Borrower and Lender, that certain letter agreement dated as of April 14, 2011 executed by Original Borrower and Lender, and the Assumption and Modification Agreement (as the same may be further amended or restated from time to time, the "**Loan Agreement**"). Capitalized terms used herein and not defined shall have the meanings set froth in the Loan Agreement. Reference is made to the Loan Agreement for a description of the terms and conditions upon which advances may be made under this Note and repayment of the indebtedness evidenced by this Note may be accelerated.

7. **INTENTIONALLY DELETED.**

8. **LATE CHARGE**. If any interest or principal payment required hereunder is not received by Lender (whether by direct debit or otherwise) on or before the 15th calendar day of the month (regardless of whether the 15th day falls on a Saturday, Sunday or legal holiday) in which it becomes due, Borrower shall pay, at Lender's option, a late or collection charge equal to 5% of the amount of such unpaid payment **("Late Charge").**

9. **PREPAYMENT**. Borrower may prepay the principal amount outstanding under this Note and accrued interest thereon, in whole or in part, at any time without charge. Partial prepayments of principal shall be accompanied by accrued interest on the amount prepaid through the date of prepayment and, if applicable, a One-Month LIBOR Rate Price Adjustment (as defined in Exhibit A). Lender shall not be obligated to re-advance to Borrower any sums prepaid by Borrower, whether prepaid voluntarily or involuntarily pursuant to the terms of any Loan Document.

10. **INTENTIONALLY DELETED**.

11. **ACCELERATION.** If: (a) Borrower shall fail to pay when due any sums payable hereunder; or (b) an Event of Default occurs under any Deed of Trust or under any obligation secured thereby, or under any other Loan Document; THEN Lender may, at its sole option, declare all sums owing under this Note immediately due and payable; provided, however, that if any document related to this Note provides for automatic acceleration of payment of sums owing hereunder, all sums owing hereunder shall be automatically due and payable in accordance with the terms of that document.

12. **JOINT AND SEVERAL LIABILITY**. If this Note is executed by more than 1 person or entity as Borrower, the obligations of each such person or entity shall be joint and several. No person or entity shall be a mere accommodation maker, but each shall be primarily and directly liable hereunder. Section 12.28 of the Loan Agreement (the "Joint Borrower Provisions") is by this reference incorporated herein in its entirety.

13. **WAIVER**. Except as otherwise provided, Borrower waives: presentment; demand; notice of dishonor; notice of default or delinquency; notice of acceleration; notice of protest and nonpayment; notice of costs, expenses or losses and interest thereon; notice of late charges; and diligence in

taking any action to collect any sums owing under this Note or in proceeding against any of the rights or interests in or to properties securing payment of this Note.

14. **TIME OF THE ESSENCE**. Time is of the essence with respect to every provision hereof.

15. **GOVERNING LAW**. This Note shall be governed by, and construed and enforced in accordance with, the laws of the state of Florida is located, except to the extent preempted by federal laws.

16. **COMMERCIAL USE; MAXIMUM RATE PERMITTED BY LAW**. Borrower hereby represents that this loan is for commercial use and not for personal, family or household purposes. It is the specific intent of the Borrower and Lender that this Note bear a lawful rate of interest, and if any court of competent jurisdiction should determine that the rate herein provided for exceeds that which is statutorily permitted for the type of transaction evidenced hereby, the interest rate shall be reduced to the highest rate permitted by applicable law, with any excess interest heretofore collected being applied against principal or, if such principal has been fully repaid, returned to Borrower on demand.

17. **LENDER'S DAMAGES**. Borrower recognizes that its default in making any payment as provided herein or in any other Loan Document as agreed to be paid when due, or the occurrence of any other Event of Default hereunder or under any other Loan Document, will require Lender to incur additional expense in servicing and administering the Loan, in loss to Lender of the use of the money due and in frustration to Lender in meeting its other financial and loan commitments and that the damages caused thereby would be extremely difficult and impractical to ascertain. Borrower agrees (a) that an amount equal to the Late Charge plus the accrual of interest at the Default Rate (as defined in Exhibit A) is a reasonable estimate of the damage to Lender in the event of a late payment, and (b) that the accrual of interest at the Default Rate following any other Event of Default is a reasonable estimate of the damage to Lender in the event of such other Event of Default, regardless of whether there has been an acceleration of the loan evidenced hereby. Nothing in this Note shall be construed as an obligation on the part of Lender to accept, at any time, less than the full amount then due hereunder, or as a waiver or limitation of Lender's right to compel prompt performance.

18. **WAIVER OF RIGHT TO TRIAL BY JURY**. BORROWER HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (a) ARISING UNDER THIS NOTE OR ANY OTHER LOAN DOCUMENT, INCLUDING, WITHOUT LIMITATION, ANY PRESENT OR FUTURE MODIFICATION HEREOF OR THEREOF OR (b) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF BORROWER AND LENDER OR ANY OF THEM WITH RESPECT TO THIS NOTE OR ANY OTHER LOAN DOCUMENT (AS NOW OR HEREAFTER MODIFIED) OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION IS NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND BORROWER HEREBY AGREES AND CONSENTS THAT LENDER MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF BORROWER TO THE WAIVER OF ANY RIGHT BORROWER MIGHT OTHERWISE HAVE TO TRIAL BY JURY.

19. **EXHIBITS**. All exhibits, schedules or other items attached hereto are incorporated into this Note by such attachment for all purposes.

20. **NOTICES**. All notices or other communications required or permitted to be given pursuant to this Note shall be given to the Borrower or Lender at the address and in the manner provided for in the Loan Agreement, except as otherwise provided herein.

Loan No. WB13991

21. **<u>INTEGRATION</u>**. The Loan Documents contain or expressly incorporate by reference the entire agreement of the parties with respect to the matters contemplated therein and supersede all prior negotiations or agreements, written or oral. The Loan Documents shall not be modified except by written instrument executed by all parties. Any reference to the Loan Documents includes any amendments, renewals or extensions now or hereafter approved by Lender in writing.

IN WITNESS WHEREOF, this Note has been executed as of the date first above written.

"Borrower"

COP-MONROE, LLC, a Florida limited liability company

By: COP–ORL ONE, LLC, a Florida limited liability company, its Manager

By: Cornerstone Operating Partnership, L.P., a Delaware limited partnership, its Manager

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its general partner

By: ____________________
Name: ____________________
Title: ____________________

COP-CARTER, LLC, a Florida limited liability company

By: COP–ORL ONE, LLC, a Florida limited liability company, its Manager

By: Cornerstone Operating Partnership, L.P., a Delaware limited partnership, its Manager

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its general partner

By: ____________________
Name: ____________________
Title: ____________________

Loan No. WB13991

COP-HANGING MOSS, LLC, a Florida limited liability company

By: COP-ORL ONE, LLC, a Florida limited liability company, its Manager

By: Cornerstone Operating Partnership, L.P., a Delaware limited partnership, its Manager

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its general partner

By: ____________________
Name: ____________________
Title: ____________________

Loan No. WB13991

COP-GOLDENROD, LLC, a Florida limited liability company

By: COP—ORL ONE, LLC, a Florida limited liability company, its Manager

By: Cornerstone Operating Partnership, L.P., a Delaware limited partnership, its Manager

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its general partner

By: ______________________
Name: ______________________
Title: ______________________

COP-SHOEMAKER, LLC,
a Delaware limited liability company

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its Manager

By: ______________________
Name: ______________________
Title: ______________________

COP-SOUTH INDUSTRIAL, LLC,
a Delaware limited liability company

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its Manager

By: ______________________
Name: ______________________
Title: ______________________

Loan No. WB13991

EXHIBIT A

INTEREST RATE PROVISIONS AGREEMENT

Exhibit A to Amended and Restated Promissory Note Secured by Deed of Trust ("**Note**"), dated August 3, 2011, made by COP-Monroe, LLC, a Florida limited liability company ("**Progress Way Borrower**"), COP-Carter, LLC, a Florida limited liability company ("**Winter Garden Borrower**"), COP-Hanging Moss, LLC, a Florida limited liability company ("**Hanging Moss Borrower**"), COP-Goldenrod, LLC, a Florida limited liability company ("**Goldenrod Borrower**", and collectively with Progress Way Borrower, Winter Garden Borrower and Hanging Moss Borrower, "**Original Borrower**"), COP-South Industrial, LLC, a Delaware limited liability company, and COP-Shoemaker, LLC, a Delaware limited liability company, as Borrower, to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as successor-by-merger to Wachovia Bank, National Association, a national banking association, as Lender.

R E C I T A L S

Borrower understands that absent the terms and conditions hereof, it would be extremely difficult to calculate Lender's additional costs, expenses, and damages in the event of a Default or prepayment by Borrower hereunder. Given the above, Borrower agrees that the provisions herein (including, without limitation, the One-Month LIBO Rate Price Adjustment defined below) provide for a reasonable and fair method for Lender to recover its additional costs, expenses and damages in the event of a Default or prepayment by Borrower.

1. **RATES AND TERMS DEFINED**. Various rates and terms not otherwise defined herein are defined and described as follows:

"**Business Day**" is a day of the week (but not a Saturday, Sunday or holiday) on which the offices of Lender are open to the public for carrying on substantially all of Lender's business functions.

"**Default Rate**" is a rate of interest per annum five percent (5%) in excess of the applicable Effective Rate in effect from time to time.

"**Effective Rate**" is the rate of interest calculated in accordance with Section 2 below.

"**Federal Funds Rate**" is, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Lender from three Federal Funds brokers of recognized standing selected by Lender.

"**Loan Agreement**" is that certain Loan Agreement dated as of October 13, 2007 executed by Original Borrower and Lender, as amended by that certain Extension Agreement dated as of November 13, 2009 executed by Original Borrower and Lender, that certain letter agreement dated as of October 21, 2010 executed by Original Borrower and Lender, that certain letter agreement dated as of February 23, 2011 executed by Original Borrower and Lender, that certain letter agreement dated as of April 14, 2011 executed by Original Borrower and Lender, and that certain Assumption and Modification Agreement (Long Form) dated as of even date herewith executed by Borrower and Lender.

"**Loan Documents**" are the documents defined as such in the Loan Agreement.

"**One-Month LIBO Rate**" is the rate of interest, rounded upward to the nearest whole multiple of one-hundredth of one percent (.01%), equal to the sum of: (a) three percent (3.00%) plus (b) the

rate of interest, rounded upward to the nearest whole multiple of one-sixteenth of one percent (.0625%), that is quoted by Lender from time to time as the London InterBank Offered Rate for deposits in U.S. Dollars, at approximately 9:00 a.m. (California time), for a period of 1 month ("One-Month Rate"), which rate is divided by one (1.00) minus the Reserve Percentage.

$$\textbf{One-Month LIBO Rate = spread \%} + \frac{\text{One-Month Rate}}{(1 - \text{Reserve Percentage})}$$

"**One-Month LIBO Rate Period**" is the period of 1 month from the 1st Business Day of a calendar month to, but not including, the 1st Business Day of the next calendar month; provided, however, no One-Month LIBO Rate Period shall extend beyond the Maturity Date.

"**One-Month LIBO Rate Portion**" is the then outstanding principal balance of this Note which is subject to a One-Month LIBO Rate. In the event Borrower is subject to a principal amortization schedule under the terms and conditions of the Loan Documents, the One-Month LIBO Rate Portion shall in no event exceed the maximum outstanding principal balance which will be permissible on the last day of the One-Month LIBO Rate Period.

"**One-Month Rate"** is the rate of interest defined in the definition of "One-Month LIBO Rate" above.

"**Regulatory Costs**" are, collectively, future, supplemental, emergency or other changes in Reserve Percentages, assessment rates imposed by the FDIC, or similar requirements or costs imposed by any domestic or foreign governmental authority and related in any manner to a One-Month LIBO Rate.

"**Replacement Rate**" is, for any day, a fluctuating rate of interest equal to three percent (3.00%) plus the Federal Funds Rate plus 1.50%.

"**Reserve Percentage**" is at any time the percentage announced within Lender as the reserve percentage under Regulation D for loans and obligations making reference to the One-Month LIBO Rate. The Reserve Percentage shall be based on Regulation D or other regulations from time to time in effect concerning reserves for Eurocurrency Liabilities as defined in Regulation D from related institutions as though Lender were in a net borrowing position, as promulgated by the Board of Governors of the Federal Reserve System, or its successor.

"**Taxes**" are, collectively, all withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to a One-Month LIBO Rate.

2. **EFFECTIVE RATE**. Provided no Event of Default exists under this Note or under the Loan Agreement or under any other Loan Document, the "**Effective Rate**" upon which interest shall be calculated for this Note shall be the following:

2.1 **Initial Disbursement; Subsequent Disbursements During Any Calendar Month.** For the initial disbursement of principal under this Note, and for any subsequent disbursements of principal during any calendar month, the Effective Rate on such principal amount shall be the One-Month LIBO Rate on the date of disbursement as determined by Lender. Such Effective Rate shall apply to such principal amount from the date of disbursement through and including the date immediately preceding the 1st Business Day of the next calendar month. On the 1st Business Day of the next calendar month, any principal disbursed during the prior calendar month shall be added to (or

become) the One-Month LIBO Rate Portion for purposes of calculation of the Effective Rate under Section 2.2 below.

2.2 **Monthly Reset of One-Month LIBO Rate**. Commencing with the 1st Business Day of the first calendar month after the initial disbursement of principal under this Note, and continuing thereafter on the 1st Business Day of each succeeding calendar month, the Effective Rate on the outstanding One-Month LIBO Rate Portion under this Note (i.e., all outstanding principal on such 1st Business Day) shall be reset to the One-Month LIBO Rate, as determined by Lender on each such 1st Business Day.

2.3 **Intentionally Deleted.**

2.4 **If One-Month LIBO Rate Becomes Unavailable.** In the event the One-Month LIBO Rate, for any reason, should become prohibited or unavailable to Lender, or, if in Lender's good faith judgment, it is not possible or practical for Lender to set a One-Month LIBO Rate, THEN, the Effective Rate shall be the Replacement Rate.

2.5. **Post Maturity; Default Rate.** From and after the Maturity Date or such earlier date on which an Event of Default exists under the Loan Agreement or any other Loan Document, then at the option of Lender, all sums owing on this Note shall bear interest at a rate per annum equal to the Event of Default Rate.

3. **TAXES, REGULATORY COSTS AND RESERVE PERCENTAGES**. Upon Lender's demand, Borrower shall pay to Lender, in addition to all other amounts which may be, or become, due and payable under this Note and Loan Documents, any and all Taxes and Regulatory Costs, to the extent they are not internalized by calculation of an Effective Rate. Further, at Lender's option, the Effective Rate shall be automatically adjusted by adjusting the Reserve Percentage, as determined by Lender in its prudent banking judgment, from the date of imposition (or subsequent date selected by Lender) of any such Regulatory Costs. Lender shall give Borrower notice of any Taxes and Regulatory Costs as soon as practicable after their occurrence, but Borrower shall be liable for any Taxes and Regulatory Costs regardless of whether or when notice is so given.

4. **ONE-MONTH LIBO RATE PRICE ADJUSTMENT**. Borrower acknowledges that prepayment or acceleration of a One-Month LIBO Rate Portion during a One-Month LIBO Rate Period shall result in Lender's incurring additional costs, expenses and/or liabilities and that it is extremely difficult and impractical to ascertain the extent of such costs, expenses and/or liabilities. Therefore, on the date a One-Month LIBO Rate Portion is prepaid or the date all sums payable hereunder become due and payable, by acceleration or otherwise ("**Price Adjustment Date**"), Borrower will pay Lender (in addition to all other sums then owing to Lender) an amount ("**One-Month LIBO Rate Price Adjustment**") equal to the then present value of (a) the amount of interest that would have accrued on the One-Month LIBO Rate Portion for the remainder of the One-Month LIBO Rate Period at the One-Month LIBO Rate set on the 1st Business Day of the month in which such amount is prepaid or becomes due, less (b) the amount of interest that would accrue on the same One-Month LIBO Rate Portion for the same period if the One-Month LIBO Rate were set on the Price Adjustment Date at the One-Month LIBO Rate in effect on the Price Adjustment Date. The present value shall be calculated by using as a discount rate the One-Month Rate quoted on the Price Adjustment Date.

By initialing this provision where indicated below, Borrower confirms that Lender's agreement to make the loan evidenced by this Note at the interest rates and on the other terms set forth herein and in the other Loan Documents constitutes adequate and valuable consideration, given individual weight by Borrower, for this agreement.

BORROWER INITIALS: ________________________

5. **PURCHASE, SALE AND MATCHING OF FUNDS**. Borrower understands, agrees and acknowledges the following: (a) Lender has no obligation to purchase, sell and/or match funds in connection with the use of a One-Month Rate as a basis for calculating an Effective Rate or a One-Month LIBO Rate Price Adjustment; (b) a One-Month Rate is used merely as a reference in determining an Effective Rate or a One-Month LIBO Rate Price Adjustment; and (c) Borrower has accepted a One-Month Rate as a reasonable and fair basis for calculating an Effective Rate or a One-Month LIBO Rate Price Adjustment. Borrower further agrees to pay the One-Month LIBO Rate Price Adjustment, Taxes and Regulatory Costs, if any, whether or not Lender elects to purchase, sell and/or match funds.

6. **MISCELLANEOUS**. As used in this Exhibit, the plural shall mean the singular and the singular shall mean the plural as the context requires.

This Exhibit is executed concurrently with and as part of the Note referred to and described first above.

"BORROWER"

COP-MONROE, LLC, a Florida limited liability company

By: COP—ORL ONE, LLC, a Florida limited liability company, its Manager

By: Cornerstone Operating Partnership, L.P., a Delaware limited partnership, its Manager

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its general partner

By: ______________________
Name: ______________________
Title: ______________________

COP-CARTER, LLC, a Florida limited liability company

By: COP—ORL ONE, LLC, a Florida limited liability company, its Manager

By: Cornerstone Operating Partnership, L.P., a Delaware limited partnership, its Manager

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its general partner

By: ______________________
Name: ______________________
Title: ______________________

Loan No. WB13991

COP-HANGING MOSS, LLC, a Florida limited liability company

By: COP—ORL ONE, LLC, a Florida limited liability company, its Manager

By: Cornerstone Operating Partnership, L.P., a Delaware limited partnership, its Manager

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its general partner

By: ______________________
Name: ______________________
Title: ______________________

COP-GOLDENROD, LLC, a Florida limited liability company

By: COP—ORL ONE, LLC, a Florida limited liability company, its Manager

By: Cornerstone Operating Partnership, L.P., a Delaware limited partnership, its Manager

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its general partner

By: ______________________
Name: ______________________
Title: ______________________

COP-SHOEMAKER, LLC,
a Delaware limited liability company

By: CORNERSTONE CORE PROPERTIES REIT, INC., a Maryland corporation, its Manager

By: ______________________
Name: ______________________
Title: ______________________

BOWNE INTEGRATED TYPESETTING SYSTEM Site: BOWNE OF IRVINE Phone: (949) 476-0505 Operator: BIV33019 Date: 15-AUG-2011 16:34:59.83
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A58036.SUB, DocName: EX-10.2, Doc: 3, Page: 36 [E/O] CRC: 23071 EDGAR 2
Description: Exhibit 10.2

Loan No. WB13991

COP-SOUTH INDUSTRIAL, LLC,
a Delaware limited liability company

By: CORNERSTONE CORE PROPERTIES REIT, INC.,
a Maryland corporation, its Manager

By: ____________________
Name: ____________________
Title: ____________________

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BOWNE INTEGRATED TYPESETTING SYSTEM Site: BOWNE OF IRVINE Phone: (949) 476-0505 Operator: BIV33019 Date: 15-AUG-2011 16:34:59.83
Name: CORNERSTONE CORE PRO
A58036.SUB, DocName: EX-31.1, Doc: 4, Page: 1 [E/O] CRC: 50504 EDGAR 2 BLA A58036 731.01.01.00 0/3
Description: Exhibit 31.1

Exhibit 31.1

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER

I, Terry G. Roussel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cornerstone Core Properties REIT, Inc.;

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 condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant'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 registrant's internal control over financial reporting.

Date: August 15, 2011

/s/ TERRY G. ROUSSEL
Terry G. Roussel
Chief Executive Officer (Principal Executive Officer)

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Exhibit 31.2

CERTIFICATIONS OF PRINCIPAL FINANCIAL OFFICER

I, Sharon C. Kaiser, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cornerstone Core Properties REIT, Inc.;
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 condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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 Rule 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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 registrant's disclosure controls and procedures and presented in this reported 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;
   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant'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 registrant's internal control over financial reporting.

	/s/ SHARON C. KAISER
Date: August 15, 2011	Sharon C. Kaiser
	Chief Financial Officer (Principal Financial Officer)

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Exhibit 32

CERTIFICATIONS PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Terry G. Roussel and Sharon C. Kaiser, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his and her knowledge, the Quarterly Report of Cornerstone Core Properties REIT, Inc. on Form 10-Q for the three-month period ended June 30, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Cornerstone Core Properties REIT, Inc.

	/s/ TERRY G. ROUSSEL
Date: August 15, 2011	Terry G. Roussel Chief Executive Officer (Principal Executive Officer)
	/s/ SHARON C. KAISER
Date: August 15, 2011	Sharon C. Kaiser Chief Financial Officer (Principal Financial Officer)

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