

**BrokerCheck Report**

**WILLIAM ANTHONY SHOPOFF**

CRD# 1273471

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## About BrokerCheck®

BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:

- o information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
- o information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

[brokercheck.finra.org](http://brokercheck.finra.org)



For additional information about the contents of this report, please refer to the User Guidance or [www.finra.org/brokercheck](http://www.finra.org/brokercheck). It provides a glossary of terms and a list of frequently asked questions, as well as additional resources. [For more information about FINRA, visit www.finra.org.](http://www.finra.org)

**Thank you for using FINRA BrokerCheck.**



## WILLIAM A. SHOPOFF

CRD# 1273471

### Currently employed by and registered with the following Firm(s):

#### SHOPOFF SECURITIES, INC.

2 PARK PLAZA, SUITE 770

IRVINE, CA 92614

CRD# 142866

Registered with this firm since: 05/29/2007

#### SHOPOFF SECURITIES, INC.

2 PARK PLAZA, SUITE 770

IRVINE, CA 92614

CRD# 142866

Registered with this firm since: 05/29/2007

## Report Summary for this Broker

This report summary provides an overview of the broker's professional background and conduct. Additional information can be found in the detailed report.

### Broker Qualifications

#### This broker is registered with:

- 1 Self-Regulatory Organization
- 19 U.S. states and territories

#### This broker has passed:

- 2 Principal/Supervisory Exams
- 3 General Industry/Product Exams
- 1 State Securities Law Exam

### Registration History

#### This broker was previously registered with the following securities firm(s):

#### WILLIAM SHOPOFF SECURITIES, INC.

CRD# 15226

10/1984 - 12/1985

### Disclosure Events

All individuals registered to sell securities or provide investment advice are required to disclose customer complaints and arbitrations, regulatory actions, employment terminations, bankruptcy filings, and criminal or civil judicial proceedings.

Are there events disclosed about this broker? **Yes**

#### The following types of disclosures have been reported:

Type	Count
Regulatory Event	1
Customer Dispute	3
Financial	2



## Broker Qualifications

### Registrations

This section provides the self-regulatory organizations (SROs) and U.S. states/territories the broker is currently registered and licensed with, the category of each license, and the date on which it became effective. This section also provides, for every brokerage firm with which the broker is currently employed, the address of each branch where the broker works.

**This individual is currently registered with 1 SRO and is licensed in 19 U.S. states and territories through his or her employer.**

### Employment 1 of 1

Firm Name: **SHOPOFF SECURITIES, INC.**  
 Main Office Address: **2 PARK PLAZA, SUITE 770  
 IRVINE, CA 92614**  
 Firm CRD#: **142866**

SRO	Category	Status	Date
FINRA	Corporate Securities Represent	APPROVED	05/29/2007
FINRA	Direct Participation Programs	APPROVED	08/10/2007
FINRA	General Securities Principal	APPROVED	05/29/2007

U.S. State/ Territory	Category	Status	Date	U.S. State/ Territory	Category	Status	Date
Arizona	Agent	APPROVED	06/05/2007	New Jersey	Agent	APPROVED	02/06/2014
California	Agent	APPROVED	05/29/2007	Ohio	Agent	APPROVED	02/03/2014
Colorado	Agent	APPROVED	06/08/2007	Oregon	Agent	APPROVED	06/20/2007
Delaware	Agent	APPROVED	06/14/2007	South Carolina	Agent	APPROVED	05/31/2007
Florida	Agent	APPROVED	06/06/2007	Texas	Agent	APPROVED	03/27/2007
Georgia	Agent	APPROVED	06/01/2007	Vermont	Agent	APPROVED	09/10/2014
Hawaii	Agent	APPROVED	07/28/2011	Washington	Agent	APPROVED	05/29/2007
Illinois	Agent	APPROVED	05/09/2014				
Indiana	Agent	APPROVED	11/18/2014				
Iowa	Agent	APPROVED	07/10/2014				
Maryland	Agent	APPROVED	06/20/2007				
Nevada	Agent	APPROVED	06/20/2007				

## Broker Qualifications



### Employment 1 of 1, continued

#### Branch Office Locations

**SHOPOFF SECURITIES, INC.**  
2 PARK PLAZA, SUITE 770  
IRVINE, CA 92614

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## Broker Qualifications

### Industry Exams this Broker has Passed

This section includes all securities industry exams that the broker has passed. Under limited circumstances, a broker may attain a registration after receiving an exam waiver based on exams the broker has passed and/or qualifying work experience. Any exam waivers that the broker has received are not included below.

**This individual has passed 2 principal/supervisory exams, 3 general industry/product exams, and 1 state securities law exam.**

### Principal/Supervisory Exams

Exam	Category	Date
General Securities Principal Examination	Series 24	02/27/2007
Direct Participation Programs Principal Examination	Series 39	06/26/1984

### General Industry/Product Exams

Exam	Category	Date
Securities Industry Essentials Examination	SIE	10/01/2018
Direct Participation Programs Representative Examination	Series 22	08/09/2007
Corporate Securities Limited Representative Examination	Series 62	01/30/2007

### State Securities Law Exams

Exam	Category	Date
Uniform Securities Agent State Law Examination	Series 63	03/28/2007

Additional information about the above exams or other exams FINRA administers to brokers and other securities professionals can be found at [www.finra.org/brokerqualifications/registeredrep/](http://www.finra.org/brokerqualifications/registeredrep/).



## Registration and Employment History

### Registration History

The broker previously was registered with the following firms:

Registration Dates	Firm Name	CRD#	Branch Location
10/1984 - 12/1985	WILLIAM SHOPOFF SECURITIES, INC.	15226	

### Employment History

This section provides up to 10 years of an individual broker's employment history as reported by the individual broker on the most recently filed Form U4.

**Please note that the broker is required to provide this information only while registered with FINRA or a national securities exchange and the information is not updated via Form U4 after the broker ceases to be registered. Therefore, an employment end date of "Present" may not reflect the broker's current employment status.**

Employment Dates	Employer Name	Employer Location
09/2006 - Present	SHOPOFF SECURITIES, INC.	IRVINE, CA
04/2004 - Present	Shopoff Realty Investments, FKA The Shopoff Group LP.	IRVINE, CA
06/2000 - Present	EASTBRIDGE REALTY, INC.	AUSTIN, TX
10/1999 - Present	EASTBRIDGE PARTNERS LP	IRVINE, CA
05/1992 - Present	ASSET RECOVERY FUND, INC.	IRVINE, CA
03/1984 - Present	SHOPOFF ENTERPRISES	AUSTIN, TX

### Other Business Activities

This section includes information, if any, as provided by the broker regarding other business activities the broker is currently engaged in either as a proprietor, partner, officer, director, employee, trustee, agent or otherwise. This section does not include non-investment related activity that is exclusively charitable, civic, religious or fraternal and is recognized as tax exempt.

(1) SHOPOFF REALTY INVESTMENTS, LP. AND ITS AFFILIATES AND SUBSIDIARIES; INVESTMENT RELATED BUSINESS; NATURE OF BUSINESS: REAL ESTATE; POSITION HELD: PRESIDENT, SHAREHOLDER; TIME SPENT: 15-20 HRS P/WK (2) REAL ESTATE MASTERY, NOT INVESTMENT RELATED; POSITION HELD: PRESIDENT/FOUNDER; START DATE: 01/2003; TIME SPENT: > 1 HR P/WK (3) EXCLUSIVE RESORTS, NOT INVESTMENT RELATED; NATURE OF BUSINESS: VACATION CLUB; POSITION HELD: NO FORMAL POSITION-MEMBER OF FOUNDERS CIRCLE; START DATE: 01/2006; TIME SPENT: > 1 HR P/WK (4) SHOPOFF PROPERTIES TRUST AND ITS AFFILIATES AND SUBSIDIARIES, INVESTMENT RELATED; NATURE OF BUSINESS: REAL ESTATE INVESTMENT TRUST; POSITION HELD: PRESIDENT/CEO; TIME SPENT: 3 HRS P/WK (5) WEBCLOAK, LLC., INVESTMENT RELATED; NATURE OF BUSINESS: TECHNOLOGY BUSINESS SECURITY; POSITION HELD: FOUNDER/CEO; START DATE: 11/2012; TIME SPENT: 3 HRS P/WK (6) VERTIMASS LLC., INVESTMENT RELATED;



## Registration and Employment History

### Other Business Activities, continued

NATURE OF BUSINESS: ALTERNATIVE FUELS; POSITION: FOUNDER / CHAIRMAN; START DATE: 11/2012; TIME SPENT: > 1 HR P/WK (7) SHOPOFF LAND FUND I, L.P.; INVESTMENT RELATED; NATURE OF BUSINESS: REAL ESTATE; POSITION HELD: PRESIDENT AND CEO; START DATE: 09/2010; TIME SPENT: 3 HRS P/ WK (8) SHOPOFF LAND FUND II, L.P.; INVESTMENT RELATED; NATURE OF BUSINESS: REAL ESTATE; POSITION HELD: PRESIDENT AND CEO; START DATE: 12/2012; TIME SPENT: 3 HRS P/WK (9) SHOPOFF STRATEGIC INCOME FUND, L.P.; INVESTMENT RELATED; NATURE OF BUSINESS: REAL ESTATE; POSITION HELD: PRESIDENT/OWNER; START DATE: 12/2012; TIME SPENT: 3 HRS PER WEEK (10) SHOPOFF CALIFORNIA COMMERCIAL FUND, L.P.; INVESTMENT RELATED; NATURE OF BUSINESS: REAL ESTATE INVESTMENT; POSITION HELD: PRESIDENT OF THE GENERAL PARTNER; START DATE: 03/2014; TIME SPENT: 3 HRS PER WEEK. (11) SHOPOFF LAND FUND III, L.P.; INVESTMENT RELATED; NATURE OF BUSINESS: REAL ESTATE INVESTMENT; POSITION HELD: PRESIDENT/CEO; START DATE: 05/2014; TIME SPENT: 3 HRS PER WEEK. (12) SRI - CAMINO, LP, INVESTMENT RELATED; NATURE OF BUSINESS: REAL ESTATE INVESTMENT; POSITION HELD: PRESIDENT/CEO; START DATE: 10/2014; TIME SPENT: > 1 HR P/WK (13) Shopoff Opportunity Fund VI, L.P. / INVESTMENT RELATED: Yes / NATURE OF BUSINESS: Real Estate Investment / POSITION HELD: GP Management / START DATE: July 2018 / TIME SPENT: 3 Hours (14) THE SHOPOFF CORPORATION, INVESTMENT RELATED; NATURE OF BUSINESS: REAL ESTATE INVESTMENT; POSITION HELD: PRESIDENT/CEO; START DATE: 11/2006; TIME SPENT: > 1 HR P/WK (15) TSG FUND V, LP, INVESTMENT RELATED; NATURE OF BUSINESS: REAL ESTATE INVESTMENT; POSITION HELD: PRESIDENT/CEO; START DATE: 05/2009; TIME SPENT: > 1 HR P/WK (16) TSG FUND IV, LP, INVESTMENT RELATED; NATURE OF BUSINESS: LENDING ENTITY POSITION HELD: PRESIDENT/CEO; START DATE: 10/2006; TIME SPENT: > 1 HR P/WK (17) IV GRATITUDE, LLC, LP, INVESTMENT RELATED; NATURE OF BUSINESS: REAL ESTATE INVESTMENT; POSITION HELD: PRESIDENT/CEO; START DATE: 11/2006; TIME SPENT: > 1 HR P/WK (18) PELOTON PARTNERS, LP, INVESTMENT RELATED; NATURE OF BUSINESS: REAL ESTATE INVESTMENT; POSITION HELD: PRESIDENT/CEO; START DATE: 04/2007; TIME SPENT: > 1 HR P/WK (19) MRF - GROVES DEVELOPMENT, LP, INVESTMENT RELATED; NATURE OF BUSINESS: REAL ESTATE INVESTMENT; POSITION HELD: PRESIDENT/CEO; START DATE: 02/1998 TIME SPENT: > 1 HR P/WK (20) ROSETTA PARTNERS, LP, INVESTMENT RELATED; NATURE OF BUSINESS-REAL ESTATE INVESTMENT; POSITION HELD-PRESIDENT/CEO; START DATE-07/2006;

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## Disclosure Events

### What you should know about reported disclosure events:

1. All individuals registered to sell securities or provide investment advice are required to disclose customer complaints and arbitrations, regulatory actions, employment terminations, bankruptcy filings, and criminal or civil judicial proceedings.
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
  - o A law enforcement agency must file formal charges before a broker is required to disclose a particular criminal event.
  - o A customer dispute must involve allegations that a broker engaged in activity that violates certain rules or conduct governing the industry and that the activity resulted in damages of at least \$5,000.
  - o
3. **Disclosure events in BrokerCheck reports come from different sources:**
  - o As mentioned at the beginning of this report, information contained in BrokerCheck comes from brokers, brokerage firms and regulators. When more than one of these sources reports information for the same disclosure event, all versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
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4. **There are different statuses and dispositions for disclosure events:**
  - o A disclosure event may have a status of *pending*, *on appeal*, or *final*.
    - § A "pending" event involves allegations that have not been proven or formally adjudicated.
    - § An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
    - § A "final" event has been concluded and its resolution is not subject to change.
  - o A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
    - § An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
    - § A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that brokers and brokerage firms may choose to settle customer disputes or regulatory matters for business or other reasons.
    - § A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.

**For your convenience, below is a matrix of the number and status of disclosure events involving this broker. Further information regarding these events can be found in the subsequent pages of this report. You also may wish to contact the broker to obtain further information regarding these events.**

	Pending	Final	On Appeal
Regulatory Event	1	0	0



Customer Dispute	2	1	N/A
Financial	0	2	N/A



## Disclosure Event Details

When evaluating this information, please keep in mind that a disclosure event may be pending or involve allegations that are contested and have not been resolved or proven. The matter may, in the end, be withdrawn, dismissed, resolved in favor of the broker, or concluded through a negotiated settlement for certain business reasons (e.g., to maintain customer relationships or to limit the litigation costs associated with disputing the allegations) with no admission or finding of wrongdoing.

This report provides the information exactly as it was reported to CRD and therefore some of the specific data fields contained in the report may be blank if the information was not provided to CRD.

### Regulatory - Pending

This type of disclosure event involves a pending formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulatory agency such as the Securities and Exchange Commission, foreign financial regulatory body) for alleged violations of investment-related rules or regulations.

#### Disclosure 1 of 1

<b>Reporting Source:</b>	Regulator
<b>Regulatory Action Initiated By:</b>	FINRA
<b>Sanction(s) Sought:</b>	Other: N/A
<b>Date Initiated:</b>	01/10/2019
<b>Docket/Case Number:</b>	<a href="#">2016048393501</a>
<b>Employing firm when activity occurred which led to the regulatory action:</b>	Shopoff Securities, Inc.
<b>Product Type:</b>	Promissory Note
<b>Allegations:</b>	Shopoff was named a respondent in a FINRA complaint alleging his member firm, through him as the president and chief executive officer (CEO) and the firm's senior vice president for investor relations (Vice President), fraudulently sold promissory note investments to investors in willful violation of Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5 thereunder and FINRA Rules 2020 and 2010. The complaint alleges that Shopoff formed a fund with the stated purpose of raising funds for his private real estate firm (Shopoff Realty). Shopoff and the Vice President each distributed or directed others at the firm to distribute the Private Placement Memorandum (the PPM), the fund Subscription Agreement template (subscription agreement), and a document entitled Loan Guaranty Agreement (the guaranty) to fund investors, each of which



Shopoff approved and contained certain material misrepresentations and omissions of facts. The PPM's material misrepresentations included Shopoff's Realty debt, the profits and commission that Shopoff Realty received or could receive from anticipated sales of projects described in the PPM, the identity of the chief financial officer and senior vice president for land acquisitions for Shopoff Realty and the maximum size of the offering. The PPM also omitted information necessary to make statements in the PPM not misleading. The subscription agreement contained a material misrepresentation because it falsely stated that the fund had no current financial or operating history and the guaranty omitted material information about the Shopoffs' liquidity, net worth, cash balance and assets that was necessary for an investor to assess the risk involved in the fund investment. Shopoff and the Vice President misrepresented this material information in the PPM, subscription agreement and guaranty, failed to disclose the material information omitted to the fund investors and verbally misrepresented material facts by stating that the fund investment proceeds would be used for working capital needs or general corporate purposes of Shopoff Realty or its affiliates. The complaint also alleges that Shopoff, the firm, and the Vice President, offered and sold promissory note investments in a corporation that Shopoff authorized. However, Shopoff, the firm, and the Vice President failed to disclose that some investment proceeds would actually be transferred to Shopoff and his personal trust to pay his and his wife's personal expenses, and that approximately \$165,000 was used for those personal expenses. Shopoff, the firm, and the Vice President also failed to disclose that some investment proceeds would be used to repay previous Notes investors. Furthermore, although Shopoff and his wife personally guaranteed the investments, Shopoff, the firm and the Vice President, failed to disclose to the investors that Shopoff and his wife's assets were largely illiquid. The complaint further alleges that the Shopoff, the firm and the Vice President made unsuitable recommendations without a reasonable basis to do so with respect to the notes. The investments in the fund offering and corporation offering were not suitable for any investor because investment proceeds were used to pay for Shopoff's personal expenses and to repay previous investors, the financial condition of Shopoff Realty, the corporation and the fund and the limited liquidity of the trust that acted as the guarantor for the investments. In addition, the complaint alleges that the firm, through Shopoff, fraudulently sold two private placement offerings that were sponsored by his private real estate firm. The firm, through Shopoff, massively inflated his and his wife's cash assets in a financial statement given to a third party due diligence provider assessing their financial wherewithal in willful violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010.

**Current Status:** Pending

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**Reporting Source:** Broker



<b>Regulatory Action Initiated By:</b>	FINRA
<b>Sanction(s) Sought:</b>	
<b>Date Initiated:</b>	01/10/2019
<b>Docket/Case Number:</b>	<a href="#">2016048393501</a>
<b>Employing firm when activity occurred which led to the regulatory action:</b>	Shopoff Securities, Inc.
<b>Product Type:</b>	Promissory Note
<b>Allegations:</b>	<p>Mr. Shopoff is named as a Respondent in the complaint in this disciplinary proceeding, which primarily relates to private borrowing for working capital purposes in the period from December, 2010 through March, 2017, from outside "friends and family" lenders, through two affiliated entities - TSG Fund IV, L.P. ("TSG IV") Shopoff Enterprises, Inc. ("SEI") - as memorialized in guaranteed promissory notes. (These entities were established in 2006 and 1984, respectively, and both pre-date the formation of Shopoff Securities, Inc.) In essence, the claim is that these loans (promissory notes) should be deemed to be "securities" and should have been accompanied by additional disclosures to the lenders. Significantly, the complaint does not allege any lender loss, injury or harm - or even any lender complaint. As to TSG IV, the complaint alleges that the loans - 19 loans from 13 lenders, totaling \$1.67 million in proceeds - were made pursuant to an outdated 2006 Private Placement Memorandum (which was between four and eleven years old at the time of the loans) and other transaction documents that allegedly contained certain inaccuracies and omissions. (However, the 2006 PPM related to an earlier offering of a different product, and the TSG IV loans at issue were in fact made pursuant to contemporaneous individually negotiated promissory notes and guaranties.) As to SEI, the complaint alleges that there were a total of 42 loans from 23 lenders, totaling \$10.9 million in proceeds. The complaint further alleges (i) that there was a failure to disclose that a portion of the proceeds might be returned to Mr. Shopoff and his wife (the 100% owners of the borrowing entities and the guarantors) and used for personal expenses, and that in fact approximately 1.5% of the proceeds (approximately \$165,000) was used in this way, and (ii) that there was a failure to disclose that a portion of the proceeds might be used to repay principal and interest on prior loans (promissory notes), and that in fact a certain portion of the proceeds was used in this way as well. (Respondents contend that these uses were both effectively disclosed and completely appropriate and proper.) As to both TSG IV and SEI, the complaint further alleges that the loan guaranties should have been accompanied by additional disclosures regarding the valuation and liquidity of the guarantors' assets. As to these various allegations, the complaint asserts that Respondents</p>



made material misstatements and omissions, and willfully violated federal securities laws and FINRA Rules 2020 and 2010. In addition, the complaint alleges that Respondents did not satisfy their reasonable basis suitability obligations with respect to the promissory notes, and that the promissory notes were not suitable for any investor, in violation of applicable suitability rules (NASD Rule 2310 and FINRA Rules 2111 and 2010). As noted, at no point does the complaint allege any lender loss, injury or harm, or even any lender complaint. Separately, the complaint alleges that Respondents sold interests in two investment funds, through private placement offerings, at a time when certain third party due diligence reports regarding the fund sponsor affiliate contained a single allegedly misleading statement relating to the financial condition (cash balance) of the fund sponsor's owners. Specifically, the third party due diligence reports referenced the cash balance of the sponsor's owner as of a certain specific measurement date reflected in a formal financial statement (which was unquestionably true), but the complaint further alleges that Respondents should have disclosed additional updated information regarding the cash balance of the sponsor's owner at subsequent times as well. As to this point, the complaint similarly alleges that the Respondents made material misstatements and omissions and willfully violated federal securities laws and FINRA Rules 2020 and 2010.

**Current Status:**

Pending

**Broker Statement**

Mr. Shopoff vigorously denies the allegations and claims set forth in the complaint. He believes that the claims and allegations are unfounded and meritless, and that they mischaracterize the relevant events and transactions. Mr. Shopoff intends to contest the claims vigorously.

As to the challenged loans (TSG IV and SEI), Mr. Shopoff notes, among other things, that all of the lenders have been paid interest and principal as agreed, and in fact have received very substantial interest payments, and there has been no lender harm or loss whatsoever (or, to our knowledge, any lender complaint). The majority of the lenders have already been repaid in full, and the remaining outstanding loans will be fully paid in the near term, either at or in advance of scheduled maturity dates. In this regard, Mr. Shopoff believes that this proceeding is extraordinary, if not unprecedented. Moreover, the lenders have all signed sworn declarations confirming that they received all of the documents and information they needed and did not consider the allegedly omitted information to be important. In addition, contrary to the suggestions in the complaint, the guarantors at all times had more than sufficient net worth and liquid assets to cover the guaranties - by a significant multiple. As to the claim involving the third party due diligence reports, Mr. Shopoff notes among other things that the challenged statement regarding the cash balance of the sponsor's owner as of a certain date was factually true and not misleading, so that no further disclosure (or "correction" of a third party's report) was necessary. Moreover, the alleged "inflation" of the guarantors' assets would have been at most approximately 1.2%



to 2.5% of the guarantors' total net worth at the time. (Accordingly, the reference in the complaint to "massively inflated" assets is unwarranted and misleading.) Again, remarkably, there is no allegation that any lender or investor has lost any money or been harmed or injured in any way.

This proceeding ultimately stems from a routine FINRA cycle examination commenced in October 2014. The matter was then referred generally to the FINRA Enforcement Department in December 2015, and that department commenced a wide-ranging investigation beginning in January, 2016. The claims disclosed here have now finally been presented - fully three years after the commencement of the investigation (and over four years after the commencement of the examination). We believe that the time taken to present this matter reflects the inherent weakness of the claims. As to all of the claims, Mr. Shopoff vigorously denies the allegations and believes this proceeding should never have been pursued. Mr. Shopoff believes that he has numerous defenses to the claims, and intends to contest the matter vigorously.



## Customer Dispute - Settled

This type of disclosure event involves (1) a pending consumer-initiated, investment-related arbitration or civil suit that contains allegations of sales practice violations against the broker; or (2) a pending, consumer-initiated, investment-related written complaint containing allegations that the broker engaged in, sales practice violations resulting in

### Disclosure 1 of 1

**Reporting Source:** Broker

**Employing firm when activities occurred which led to the complaint:** Shopoff Securities, Inc.

**Allegations:** Former employee of Firm affiliate (Executive Vice President, Commercial Real Estate), and related investment entities, assert claims for breach of contract against individual and family trust, as guarantors, relating to two guaranties executed in 2012 and 2014. Specifically, plaintiff asserts claims for breach of guaranty, specific performance, and breach of the covenant of good faith and fair dealing, as well as a single conclusory (unsupported) claim for fraud based on alleged statements made at the time of the guaranties.

**Product Type:** Other: Guaranty

**Alleged Damages:** \$4,250,895.00

### Civil Litigation Information

**Type of Court:** Federal Court

**Name of Court:** U.S. District Court, Central District of California

**Location of Court:** Santa Ana, CA

**Docket/Case #:** 8:18-cv-02187-DOC-JDE

**Date Notice/Process Served:** 12/27/2018

**Litigation Pending?** No

**Disposition:** Settled

**Disposition Date:** 05/24/2019

**Monetary Compensation Amount:** \$4,750,000.00

**Individual Contribution Amount:** \$0.00





## Customer Dispute - Pending

This type of disclosure event involves (1) a pending consumer-initiated, investment-related arbitration or civil suit that contains allegations of sales practice violations against the broker; or (2) a pending, consumer-initiated, investment-related written complaint containing allegations that the broker engaged in, sales practice violations resulting in compensatory damages of at least \$5,000, forgery, theft, or misappropriation, or conversion of funds or securities.

### Disclosure 1 of 2

<b>Reporting Source:</b>	Broker
<b>Employing firm when activities occurred which led to the complaint:</b>	Shopoff Securities, Inc.
<b>Allegations:</b>	Plaintiff asserts two claims, for breach of contract and violation of the Uniform Voidable Transactions Act, relating to an alleged breach (in February 2018) of a written Guaranty entered into in April 2014, and alleged post-breach transfers.
<b>Product Type:</b>	Other: Guaranty
<b>Alleged Damages:</b>	\$6,003,000.00

### Civil Litigation Information

<b>Type of Court:</b>	State Court
<b>Name of Court:</b>	Superior Court of California, Orange County
<b>Location of Court:</b>	Santa Ana, CA
<b>Docket/Case #:</b>	30-2019-01065076-CU-BC-CXC
<b>Date Notice/Process Served:</b>	05/06/2019
<b>Litigation Pending?</b>	Yes

<b>Broker Statement</b>	Mr. Shopoff denies the claims and disputes the amounts, states that the complaint simply reflects a business dispute with valued partners, and notes that the parties are in active negotiations to resolve their differences. Mr. Shopoff further notes that a related dispute has already settled amicably, and remains optimistic that an amicable resolution will be reached in this matter as well
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### Disclosure 2 of 2

<b>Reporting Source:</b>	Broker
<b>Employing firm when activities occurred which led to the complaint:</b>	Shopoff Securities, Inc.
<b>Allegations:</b>	Plaintiffs assert claims for breach of guaranty (contract), for set aside of allegedly



voidable transfers, and for declaratory relief, relating to alleged breaches of written Guaranty agreements (entered into in 2014 and 2015) and alleged post-breach transfers.

**Product Type:** Other: Guaranty

**Alleged Damages:** \$25,056,868.00

### **Civil Litigation Information**

**Type of Court:** State Court

**Name of Court:** Superior Court of California, Orange County

**Location of Court:** Santa Ana, CA

**Docket/Case #:** 30-2019-01065022-CU-BC-CXC

**Date Notice/Process Served:** 05/07/2019

**Litigation Pending?** Yes

**Broker Statement** Mr. Shopoff denies the claims and disputes the amounts, states that the complaint simply reflects a business dispute with valued partners, and notes that the parties are in active negotiations to resolve their differences. Mr. Shopoff further notes that a related dispute has already settled amicably, and remains optimistic that an amicable resolution will be reached in this matter as well



## Financial - Final

This type of disclosure event involves a bankruptcy, compromise with one or more creditors, or Securities Investor Protection Corporation liquidation involving the broker or an organization/brokerage firm the broker controlled that occurred within the last 10 years.

### Disclosure 1 of 2

<b>Reporting Source:</b>	Broker
<b>Action Type:</b>	SHORT SALE
<b>Action Date:</b>	11/15/2011
<b>Organization Investment-Related?</b>	
<b>Action Pending?</b>	No
<b>Disposition:</b>	Satisfied/Released
<b>Disposition Date:</b>	11/15/2011
<b>If a compromise with creditor, provide:</b>	
<b>Name of Creditor:</b>	BANK OF AMERICA
<b>Original Amount Owed:</b>	\$1,260,000.00
<b>Terms Reached with Creditor:</b>	MR. SHOPOFF ENTERED INTO A SHORT SALE AGREEMENT WITH THE LENDER ON A REAL ESTATE ASSET IN HAWAII. THE LENDER ON THE FIRST (\$1,000,000) AND SECOND (\$260,000) LIEN WAS BANK OF AMERICA. THE BANK ACCEPTED A SETTLEMENT OF \$528,183.72 FOR THE FIRST AND \$19,000.00 FOR THE SECOND.

### Disclosure 2 of 2

<b>Reporting Source:</b>	Broker
<b>Action Type:</b>	SHORT SALE
<b>Action Date:</b>	10/15/2009
<b>Organization Investment-Related?</b>	
<b>Action Pending?</b>	No
<b>Disposition:</b>	Satisfied/Released



**Disposition Date:** 10/15/2009

**If a compromise with creditor,  
provide:**

**Name of Creditor:** VINEYARD BANK

**Original Amount Owed:** \$5,928,309.55

**Terms Reached with Creditor:** MR. SHOPOFF REACHED AN AGREEMENT WITH VINEYARD BANK FOR A FULL RELEASE OF ALL DEBT OBLIGATIONS TO THE FINANCIAL INSTITUTION. SETTLEMENT TERMS; \$2,272,500 ON PROPERTY AND \$2,000,000 ON LOC COMBINED FOR A TOTAL OF \$4,272,500.

## End of Report



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