

PALADIN REALTY INCOME PROPERTIES, INC.
SUPPLEMENT NO. 13 DATED NOVEMBER 18, 2011
TO THE PROSPECTUS DATED APRIL 29, 2010

This document supplements, and should be read in conjunction with, our prospectus dated April 29, 2010. This Supplement No. 13 supersedes and replaces Supplement No. 6 dated April 28, 2011, Supplement No. 7 dated May 31, 2011, Supplement No. 8 dated June 21, 2011, Supplement No. 9 dated July 25, 2011, Supplement No. 10 dated August 10, 2011, Supplement No. 11 dated August 16, 2011 and Supplement No. 12 dated September 2, 2011. The purpose of this Supplement No. 13 is to disclose:

- the status of our public offerings;
- an update to the “Questions and Answers about this Offering” section of our prospectus;
- a description of our current portfolio;
- our investment in Evergreen at Coursey Place Apartments;
- the sale of our interest in 801 Fiber Optic Drive;
- selected financial data;
- information regarding our net tangible book value;
- information regarding our distributions;
- information regarding our share redemption program;
- our performance — funds from operations;
- our property performance — net operating income;
- fees and reimbursements paid to our advisor and its affiliates;
- updates to risk factors;
- updates to the “Management” section of our prospectus;
- an update regarding management compensation;
- updated “Prior Performance Summary” disclosure in the prospectus;
- updated prior performance tables;
- an update regarding our advisory agreement;
- an update regarding our dealer manager;
- termination of our automatic investment plan;
- an amended subscription agreement;
- an update to the “Experts” section of our prospectus; and
- information regarding documents incorporated by reference.

Status of Our Public Offerings

We commenced our follow-on offering of \$850,000,000 in shares of common stock on July 28, 2008. Of these shares, we are offering \$750,000,000 in our primary offering and \$100,000,000 pursuant to our distribution reinvestment plan. Concurrently with the commencement of our follow-on offering, we terminated our initial public offering. As of November 15, 2011, we had received and accepted subscriptions in our offerings for an aggregate of 7,353,253 shares of our common stock, or \$72,766,758, including shares issued under our distribution reinvestment plan. As of November 15, 2011, 81,571,743 shares remained available for sale to the public under our follow-on offering, including shares available under our distribution reinvestment plan.

On July 22, 2011, we filed a registration statement on Form S-11 with the U.S. Securities and Exchange Commission for a follow-on public offering of up to \$725,000,000 in shares of common stock, which we refer to as the second follow-on offering. Pursuant to Rule 415 under the Securities Act of 1933, as amended, we have extended the termination date of our current follow-on offering to the earlier of the effective date of the registration statement on Form S-11 for the second follow-on offering or January 24, 2012, which is 180 days after the third anniversary of the initial effective date of the registration statement for this offering.

Update to “Questions and Answers about This Offering”

The “Questions and Answers about this Offering” section of our prospectus is hereby updated by the addition of the following:

- Q: Who might benefit from an investment in our shares?
- A: An investment in our shares may be beneficial for you if you meet the minimum suitability standards described in this prospectus, seek to (1) diversify your personal portfolio with a real estate-based investment, (2) preserve capital, (3) receive current income, and (4) obtain the benefits of potential long-term capital appreciation, and if you are able to hold your investment for a time period consistent with our liquidity strategy. We caution persons who require immediate liquidity or guaranteed income, or who seek a short-term investment, that an investment in our shares will not meet those needs and is an inappropriate investment for you.

Our Current Portfolio

We were formed to invest in a diverse portfolio of high quality investments, focusing primarily on investments that produce current income including apartments, office buildings, industrial buildings, shopping centers and hotels. As of September 30, 2011 our property investments consisted of eleven multi-family apartment communities with a total of 2,705 apartment units and two office buildings. The following table provides general information regarding the properties we owned as of September 30, 2011:

	Market	Total Investment ⁽¹⁾	Net Rentable Area (sq. ft.)/ Units	Occupancy ⁽²⁾	Percentage Equity Ownership ⁽³⁾
Multi-family Communities					
Champion Farms Apartments	Louisville, KY	\$4,790,264	264 units	95.1%	70.0%
Fieldstone Apartments	Woodlawn, OH	5,143,946	266 units	87.2 ⁽⁴⁾	83.0
Pheasant Run Apartments	Lee’s Summit, MO	2,642,146	160 units	97.5	97.5
Pinehurst Apartment Homes	Kansas City, MO	2,440,596	146 units	93.2	97.5
The Retreat Apartments	Shawnee, KS	3,047,896	342 units	98.5	97.5
Hilltop Apartments	Kansas City, MO	1,100,191	124 units	93.5	49.0
Conifer Crossing	Norcross, GA	4,755,191	420 units	93.3	42.5
Lofton Place Apartments	Tampa Bay, FL	3,000,000	280 units	92.1	60.0
Beechwood Gardens Apartments	Philadelphia, PA	2,550,000	160 units	96.3	82.3
Stone Ridge Apartments ⁽⁵⁾	Columbia, SC	1,350,000	191 units	86.9	68.5
Evergreen at Coursey Place Apartments ⁽⁶⁾	Baton Rouge, LA	5,000,000	352 units	92.6	51.7
Office Buildings					
Two and Five Governor Park ⁽⁷⁾	San Diego, CA	\$2,500,000	75,944 sq. ft.	100%	47.7%

(1) Total investment includes our share of the purchase price for the property plus due diligence costs and closing costs paid by the joint venture, not including our share of the debt on the property.

- (2) Occupancy as of September 30, 2011. Includes all leased space, including space subject to master leases.
- (3) Ownership interest in joint venture as of September 30, 2011.
- (4) Occupancy reflects 34 vacant units, 22 of which were damaged in a fire in February 2011. Excluding the fire-damaged units, occupancy of available units is 95.1%.
- (5) We acquired our interest in Stone Ridge Apartments on March 30, 2011.
- (6) We acquired our interest in Evergreen at Coursey Place Apartments on July 28, 2011.
- (7) This investment consists of two office buildings. These buildings are 100.0% leased to third-party tenants.

The table below provides summary information regarding our 13 income-producing properties by location as of September 30, 2011:

State	Property Investments	
	Number	As a Percentage of Aggregate Investment
California	2	6%
Florida	1	8%
Georgia	1	12%
Kansas	1	8%
Kentucky	1	12%
Louisiana	1	13%
Missouri	3	16%
Ohio	1	13%
Pennsylvania	1	7%
South Carolina	1	5%
Total	13	100%

For each of our eleven multi-family investments, the table below provides the occupancy rate and the average effective monthly rent per unit for the five years ended December 31, 2010, and for the nine months ended September 30, 2011, for the periods during which we owned such properties:

Property	Year Ended December 31,					Nine Months Ended September 30, 2011
	2006	2007	2008	2009	2010	
Champion Farms Apartments						
Occupancy	95.2%	93.6%	87.1%	92.8%	92.4%	95.1%
Average Effective Monthly Rent per Unit	\$ 702	\$ 713	\$ 746	\$ 743	\$ 746	\$ 769
Fieldstone Apartments⁽¹⁾						
Occupancy	91.7%	97.4%	94.4%	92.9%	94.4%	87.2%
Average Effective Monthly Rent Per Unit	\$ 799	\$ 791	\$ 807	\$ 797	\$ 783	\$ 792
Pheasant Run Apartments						
Occupancy		88.8%	93.1%	95.6%	96.3%	97.5%
Average Effective Monthly Rent per Unit		\$ 617	\$ 665	\$ 605	\$ 638	\$ 651
Pinehurst Apartment Homes						
Occupancy		96.6%	88.4%	91.8%	91.8%	93.2%
Average Effective Monthly Rent per Unit		\$ 622	\$ 646	\$ 620	\$ 636	\$ 631
Retreat Apartments						
Occupancy		—	87.1%	91.5%	92.7%	98.5%
Average Effective Monthly Rent per Unit		—	\$ 583	\$ 539	\$ 541	\$ 536
Hilltop Apartments						
Occupancy		—	91.9%	91.1%	85.5%	93.5%
Average Effective Monthly Rent per Unit		—	\$ 512	\$ 509	\$ 536	\$ 512
Conifer Crossing						
Occupancy		—	82.4%	92.1%	95.0%	93.3%
Average Effective Monthly Rent per Unit		—	\$ 780	\$ 704	\$ 745	\$ 766
Lofton Place Apartments⁽²⁾						
Occupancy		—	—	91.8%	95.7%	92.1%
Average Effective Monthly Rent per Unit		—	—	\$ 782	\$ 791	\$ 800
Beechwood Gardens Apartments⁽³⁾						
Occupancy		—	—	95.0%	96.3%	96.3%
Average Effective Monthly Rent per Unit		—	—	\$ 830	\$ 827	\$ 844
Stone Ridge Apartments⁽⁴⁾						
Occupancy		—	—	—	—	86.9%

Average Effective Monthly Rent per Unit	—	—	—	—	\$ 536
Evergreen at Coursey Place Apartments ⁽⁵⁾					
Occupancy	—	—	—	—	92.6%
Average Effective Monthly Rent per Unit	—	—	—	—	\$ 972

(1) Occupancy reflects 34 vacant units, 22 of which were damaged in a fire in February 2011. Excluding the fire-damaged units, occupancy of available units is 95.1%. Average Effective Monthly Rent per Units has been adjusted for the lost revenue due to the fire-damaged units. Insurance proceeds for business interruption is expected to fully cover the lost revenue for these 22 units until they are repaired and available for rent.

- (2) We acquired our interest in Lofton Place Apartments on October 1, 2009.
- (3) We acquired our interest in Beechwood Gardens Apartments on December 16, 2009.
- (4) We acquired our interest in Stone Ridge Apartments on March 30, 2011.
- (5) We acquired our interest in Evergreen at Coursey Place Apartments on July 28, 2011.

The leases for our multi-family investments generally have terms of six, nine or twelve months. There are no leases with terms expiring after 2012.

For our commercial properties, the table below provides the occupancy rate and the average effective annual rent per square foot for each of the five years ended December 31, 2010, and for the nine months ended September 30, 2011, for the periods during which we owned such properties:

Property	Year Ended December 31,					Nine Months Ended September 30, 2011
	2006	2007	2008	2009	2010	
801 Fiber Optic Drive ⁽¹⁾						
Occupancy	100.0%	100.0%	100.0%	100.0%	100.0%	—
Average Effective Annual Rent per Square Foot	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	—
Two and Five Governor Park						
Occupancy	—	—	100.0% ⁽²⁾	100.0% ⁽²⁾	100% ⁽²⁾	100% ⁽²⁾
Average Effective Annual Rent per Square Foot	—	—	\$26.52 ⁽³⁾	\$23.88 ⁽³⁾	\$24.77 ⁽³⁾	\$25.78 ⁽³⁾

(1) This investment was sold on April 28, 2011. See “Sale of Our Interest in 801 Fiber Optic Drive.”

(2) These buildings are 100.0% leased to third party tenants.

(3) The average effective monthly rent per square foot only reflects leases to third parties and does not include the master lease.

The following is a schedule of third party lease expirations and related information for each of the seven years ending 2017 for our two office buildings as of September 30, 2011. For these two properties, there are no leases expiring after 2017.

Year	Number of Tenants Whose Leases Are Expiring	Total Square Feet Covered by Such Leases	Annual Rent Represented By Such Leases	Percentage of Gross Annual Rent Represented by Such Leases
2011	2	5,918	\$ 146,436	7.5%
2012	4	10,076	\$ 283,196	14.5%
2013	4	8,265	\$ 220,773	11.3%
2014	9	42,226	\$ 1,085,522	55.4%
2015	2	5,503	\$ 129,591	6.6%
2016	0	0	\$ 0	0%
2017	1	39,56	\$ 92,570	4.7%
Total	<u>22</u>	<u>75,944</u>	<u>\$ 1,958,088</u>	<u>100.0%</u>

Investment in Evergreen at Coursey Place Apartments

On July 28, 2011, our subsidiary, PRIP Coursey, LLC, or PRIP Coursey, acquired an interest in Evergreen at Coursey Place Sole Member, LLC, or the Joint Venture, which indirectly owns Evergreen at Coursey Place Apartments, or Coursey Place, located at 13675 Coursey Boulevard, Baton Rouge, LA 70817. The Joint Venture was formerly controlled by Charles M. Thompson, who is the managing principal and majority owner of national apartment investor Evergreen Residential. Neither Mr. Thompson nor Evergreen Residential is affiliated with us or our affiliates.

Funding the Investment

Since 2008, Coursey Place has been owned by a wholly-owned subsidiary of the Joint Venture. Pursuant to a contribution agreement dated July 28, 2011 among PRIP Coursey, Mr. Thompson and the Joint Venture, and an amended and restated operating agreement for the Joint Venture dated July 28, 2011 between PRIP Coursey and ERES Coursey LLC, or ERES Coursey, PRIP Coursey contributed \$5,000,000 in cash to the Joint Venture to acquire a 51.7% interest. ERES Coursey holds a 48.3% interest in the Joint Venture. Mr. Thompson holds an 80% interest in ERES Coursey.

ERES Coursey's interest in the Joint Venture is comprised of a Class A equity interest, or the Class A Equity, based on \$1,686,048 in cash contributed to the Joint Venture prior to the closing, and a Class B equity interest, or the Class B Equity, based on an estimated unrealized gain of \$2,979,255 in Coursey Place for the period held by ERES Coursey prior to sale. The equity held by PRIP Coursey and the Class A Equity together form a senior equity tranche, or the Senior Equity, in the Joint Venture.

In connection with the acquisition of our interest in the Joint Venture, Coursey Place was recapitalized. As part of this recapitalization, the Joint Venture obtained a new loan from the Federal Home Loan Mortgage Corporation through Deutsche Bank Berkshire Mortgage, Inc. in the amount of \$28,500,000, as evidenced by a note dated July 28, 2011.

The loan bears interest at a fixed rate of 5.07% and matures on August 1, 2021. Payments on the loan are interest only for the first two years with the remaining eight years amortizing on a 30-year schedule. Except if the loan is assigned to a Real Estate Mortgage Investment Conduit, the loan is generally prepayable subject to a prepayment premium based on the remaining amount of the loan and then-current interest rates. In addition, the loan is guaranteed by Mr. Thompson, but only upon the occurrence of certain limited events. Our investment in the Joint Venture was funded with proceeds from this offering. In connection with our investment, we paid an acquisition fee to Paladin Advisors of \$296,152 pursuant to the terms of the advisory agreement. We will also pay Paladin Advisors an annual asset management fee of \$59,232 pursuant to the terms of the advisory agreement, which is less than the maximum fee allowed.

The Property

Coursey Place is a Class A rental apartment community consisting of 18 two- and three-story garden-style apartment buildings located on a 25.6 acre site in Baton Rouge, Louisiana. The property was built in 2003 and has an aggregate of 351,608 rentable square feet within 352 units averaging 999 square feet per unit. The property contains 112 one-bedroom, one-bath units, 168 two-bedroom, two-bath units and 72 three-bedroom, two-bath units. To date, approximately 220 units have received cosmetic upgrades at an average cost of \$2,500 per unit with the remaining units scheduled to be upgraded using proceeds from the recapitalization.

The leased space is comprised entirely of residential apartment units. Each lease is specific to an individual unit. Collectively, the units are leased subject to the terms of a standard lease form. Individual leases generally have a term of one year. There are no leases expiring after 2012.

The table below provides the occupancy rate and the average effective monthly rent per unit for the five years ended December 31, 2010.

<u>Year Ended December 31,</u>	<u>Occupancy Rate</u>	<u>Average Effective Rent Per Unit</u>
2006	98.6%	\$ 812
2007	98.6%	\$ 855
2008	91.2%	\$ 978
2009	94.3%	\$ 916
2010	91.5%	\$ 975

As of June 30, 2011, the property had an average lease rent per unit of \$1,012, an average effective rent per unit of \$959 and was 93.2% occupied.

Coursey Place is located approximately 11 miles east of the Baton Rouge central business district just outside the city limits in unincorporated East Baton Rouge. The property competes effectively with other rental apartment communities in its submarket based on tangible factors such as rental rate and unit type, as well as intangible factors such as proximity to places of employment, schools and shopping and recreational venues.

In the opinion of management, the property is suitable and adequate for its intended purpose and is adequately covered by insurance. We obtained a Phase I environmental survey and are satisfied with the environmental status of the property.

For federal income tax purposes, the tax basis in Coursey Place is approximately \$33,500,000. The real property component of Coursey Place will be depreciated on a straight-line basis using estimated useful lives of 27.5 years for building and building improvements and by the 200% declining balance method using estimated useful lives of five to seven years for furniture, fixtures and equipment. Realty taxes for the fiscal year ended 2010 on Coursey Place were \$285,893 at a tax rate of 11.0% of the tax assessor's assessed valuation of \$2,599,350 (10% of the estimated property value).

The Operating Agreement

The operating agreement governs the structure, operation and management of the Joint Venture and the interests of its investors. The operating agreement provides that PRIP Coursey will receive a priority preferred return of 10.0% annually from operating cash flow, based on its contribution (i.e. the first \$500,000 of distributable cash flow each year), before distributions are made to ERES Coursey. Thereafter, ERES Coursey will be paid distributions from annual operating cash flow until it has received a 10.0% return on its aggregate capital account, which is equal to the sum of the Class A and Class B Equity. Remaining distributions from annual operating cash flow will be split in proportion to each member's capital contributions.

The operating agreement provides for distributions of sale or refinancing proceeds, if any, as follows. First, distributions will first be made, pro rata, as a return of the Senior Equity. Second, proceeds will be distributed until each member achieves a 15% internal rate of return, or IRR, pro rata, on the Senior Equity. Third, proceeds will be distributed to the Senior Equity to satisfy the yield maintenance amount, which is a fixed dollar sum approximately equal to the total amount the Senior Equity holders would have received if these investments remained outstanding for four years. The yield maintenance amount is a diminishing sum reduced by actual distributions of operating cash flow made to the Senior Equity holders. Fourth, distributions will be made to the Class B Equity until it has achieved a 15% IRR. Finally, 100% of the remaining proceeds will be distributed 30% to PRIP Coursey and 70% to ERES Coursey.

Except as otherwise described in the operating agreement, all aspects of the business and affairs of the Joint Venture will be managed, and all decisions affecting the business and affairs of the Joint Venture and Coursey Place will be made by the members, acting through a five-member management committee. Our representatives hold three seats on the committee, and representatives of ERES Coursey hold the remaining two seats. A majority vote of the management committee will be decisive on all matters.

The Property Management Agreement

Pegasus Residential, LLC, or Pegasus, an independent property management firm unrelated to either member of the Joint Venture LLC, has been engaged as the property manager of Coursey Place pursuant to a property management agreement that provides for an initial one year term and automatic renewals for successive one year terms. Either party may terminate the property management agreement upon 30 days' prior written notice. A management fee is payable monthly in arrears equal to 3.5% of the monthly gross income of Coursey Place. In addition, Pegasus may be paid a construction management fee of 3% on unit upgrade costs and 5% on any projects exceeding \$100,000.

Sale of Our Interest in 801 Fiber Optic Drive

On April 28, 2011, PRIP 801, LLC, a joint venture between Paladin OP, and 801 FO, LLC, an unrelated third party, sold 801 Fiber Optic Drive, a 56,336 square foot industrial property distribution facility located on 10.95 acres in North Little Rock, Arkansas, for \$4,175,000. At the time of sale, we owned a 79.0% interest in PRIP 801, LLC, and our joint venture partner owned the remaining 21.0% interest in PRIP 801, LLC.

The sales price exceeded the minimum selling price approved by our board of directors on February 18, 2011 and was \$75,000 greater than the price we paid to acquire the property in November 2005. We recognized a gain on the sale of approximately \$200,000. Since the purchase of the property, we have received \$777,117 in operating distributions. The sales price equaled \$74 per square foot and an 8.1% cap rate on trailing twelve month net operating income. Proceeds from the sale were first used to repay debt and the closing costs of the transaction. The remaining net proceeds were distributed 79%, or \$2,192,250, to us and 21% to our joint venture partner. At this time, we intend to redeploy the net proceeds into additional real estate and real estate related investments consistent with our investment strategy.

Selected Financial Data

The following selected financial data should be read with (i) Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto incorporated by reference into the prospectus and (ii) Management's Discussion and Analysis of Financial Condition and Results of Operations and our condensed financial statements included in our quarterly report on Form 10-Q for the nine months ended September 30, 2011. Our historical results are not necessarily indicative of results for any future period.

The following tables present summarized consolidated financial information, including statement of operations data and balance sheet data, in a format consistent with our consolidated financial statements.

	For the Nine Months Ended September 30,		For the Year Ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
Operating Data:							
Revenues	\$15,404,599	\$13,554,098	\$20,048,939	\$15,344,761	\$11,589,811	\$ 5,595,622	\$1,530,502
Loss before equity in earnings and noncontrolling interests	(3,234,851)	(3,244,971)	(4,087,665)	(6,337,842)	(2,689,447)	(1,627,801)	(855,811)
Equity in earnings and gain on sale from real estate joint venture	173,105	62,660	83,519	81,153	88,224	83,896	75,226
Noncontrolling interests	736,574	960,787	1,178,012	1,784,767	242,673	219,437	(127,817)
Net loss attributable to Company	(2,325,173)	(2,221,524)	(2,826,134)	(4,471,922)	(2,358,550)	(1,324,468)	(652,768)
Net loss per common share (basic and diluted)	(0.40)	(0.47)	(0.59)	(1.09)	(0.73)	(0.75)	(1.42)
Distributions declared per common share	0.45	0.45	0.60	0.60	0.60	0.60	0.60
Weighted average number of common shares outstanding (basic and diluted)	5,788,423	4,722,062	4,787,071	4,086,673	3,219,095	1,758,564	458,658

	As of September 30,	As of December 31,				
	2011	2010	2009	2008	2007	2006
Balance Sheet Data:						
Total real estate, net	\$ 187,443,506	\$149,009,964	\$152,628,325	\$152,628,325	\$125,746,514	\$55,763,626
Total assets	204,972,536	157,717,875	160,931,602	160,931,602	136,066,319	64,863,407
Mortgages payable	153,327,252	121,134,455	121,365,972	121,365,972	98,729,308	43,879,125

Net Tangible Book Value Per Share

In connection with this offering of shares of our common stock, we are providing information about our net tangible book value per share. Our net tangible book value per share is a rough approximation of value calculated as total book value of assets minus total liabilities, divided by the total number of shares of common stock outstanding. Net tangible book value is used generally as a conservative measure of net worth that we do not believe reflects our estimated value per share. It is not intended to reflect the value of our assets upon an orderly liquidation of the company in accordance with our investment objectives. However, net tangible book value does reflect certain dilution in value of our common stock from the issue price as a result of (i) the substantial fees paid in connection with our public offerings, including selling commissions and dealer manager fees re-allowed by our dealer manager to participating broker dealers, (ii) the fees and expenses paid to our advisor and its affiliates in connection with the selection, acquisition, management and sale of our investments and (iii) general and administrative expenses. As of September 30, 2011, our net tangible book value per share was \$4.74. To the extent we are able to raise substantial proceeds in this offering, the expenses that cause dilution of the net tangible value per share are expected to decrease on a per share basis, resulting in increases in the net tangible book value per share. The offering price under our primary offering (ignoring purchase price discounts for certain categories of purchasers) is \$10.00 per share.

Our offering price was not established on an independent basis and bears no relationship to the net value of our assets. Further, the factors described above with respect to the dilution in the value of our common stock are likely to cause our offering price to be higher than the amount you would receive per share if we were to liquidate at this time.

Information Regarding our Distributions

We pay distributions on a monthly basis. Since January 2006, for the month ended December 31, 2005, we have paid a 6.0% per annum distribution. We paid \$2,843,351 in distributions for year ended December, 2010, of which \$1,396,641 was paid in cash and \$1,446,710 was paid through the distribution reinvestment plan in the form of additional shares issued. We paid \$2,530,302 in distributions for nine months ended September 30, 2011, of which \$1,267,417 was paid in cash and \$1,262,885 was paid through the distribution reinvestment plan in the form of additional shares issued.

The following table presents the amount of distributions paid for each of the four quarters ended September 30, 2011.

	For the Three Months Ended							
	September 30, 2011		June 30, 2011		March 31, 2011		December 31, 2010	
Distributions paid in cash:	\$469,834	50.2%	\$415,527	49.3%	\$382,056	50.7%	\$376,162	51.0%
Distributions reinvested:	465,181	49.8	426,641	50.7	371,063	49.3	361,409	49.0
Total distributions:	935,015	100	842,168	100	753,119	100%	737,571	100%
Source of distributions								
Cash flow from operations	261,723	28.0	842,168	100	—	—	—	—
Excess cash flow from operations from prior periods	193,111	20.7	—	—	—	—	—	—
Proceeds from the issuance of common stock	480,181	51.3	—	—	753,119	100	737,571	100
Total sources	\$935,015	100%	\$842,168	100%	\$753,119	100%	\$737,571	100%

For the year ended December 31, 2010, distributions paid to stockholders of \$2,843,351 exceeded net cash provided by operating activities of \$296,878 and funds from operations, or FFO attributable to the Company (as further defined and discussed below in “Our Performance—Funds from Operations) of \$(718,424). For the year ended December 31, 2009, distributions paid to stockholders of \$2,410,031 exceeded net cash provided by operating activities of \$84,387 and FFO attributable to the Company of \$(1,605,751). In addition, for the nine months ended September 30, 2011, distributions paid to stockholders of \$2,530,302 exceeded net cash provided by operating activities of \$610,082 and FFO attributable to the Company of \$529,647. From inception through September 30, 2011, the cumulative distributions paid to stockholders of \$10,879,538 exceeded net cash provided by operating activities of \$2,755,116 and cumulative FFO attributable to the Company of \$(188,777). As a result, portions of the cumulative distributions paid as of September 30, 2011 have been paid with offering proceeds.

Paladin Advisors has paid expenses on our behalf, and Paladin Advisors has deferred the reimbursement of a portion of these expense payments and from time to time has deferred certain other fees owed to it. The repayment of these deferred expenses has impacted, and may continue to impact our ability to pay distributions from cash flow from operations or at all. During 2010, in accordance with the Advisory Agreement, we reimbursed Paladin Advisors \$1,725,000 of previously accrued general and administrative expenses, and in the first nine months of 2011, we have reimbursed Paladin Advisor an additional \$575,000 of previously accrued general and administrative expenses. These reimbursements have reduced our cash flow provided by operating activities and therefore our ability to fund distributions therefrom.

For the nine months ended September 30, 2011, Paladin Advisors and its affiliates had incurred on our behalf \$66,235 in general and administrative expenses for which we have reimbursed Paladin Advisors \$20,242. As of September 30, 2011, the remaining \$45,993 has not yet been reimbursed to Paladin Advisors and has been deferred (without interest) repayment of these expenses. The payment of these obligations may impact our ability to pay future distributions. Paladin Advisors is not obligated to either pay expenses on our behalf or defer reimbursements of such expense payments or fees in future periods. If Paladin Advisors were to pay additional expense on our behalf in the future and/or defer reimbursement of expense payments or fees, the ultimate repayment of these obligations could adversely impact our ability to pay distributions in future periods as well as potentially adversely impact the value of an investment in the Company.

We are reliant on Paladin Advisors to support our financial position currently because of our small size. As we continue to grow by selling shares in our follow-on offering and by making additional investments, we expect to be able to finance our operations without advances from and deferrals of fees otherwise payable to Paladin Advisors; however, as described above, we may not be able to continue to pay distributions at the rate we currently pay or at all.

The amount of distributions to be distributed to our stockholders in the future will be determined by our board of directors and are dependent on a number of factors, including funds available for payment of distributions (including whether Paladin Advisors continues to pay expenses and/or defer reimbursement of expense payments or fees), our financial condition, capital expenditure requirements, annual distribution requirements needed to maintain our status as a REIT under the Internal Revenue Code, any limitations imposed by the terms of indebtedness we may incur and other factors.

Information Regarding Our Share Redemption Program

Amendment of Our Shares Redemption Program

In order to enhance the administrative efficiency of our share redemption program, our board of directors adopted and approved an amendment to our share redemption program on August 3, 2011, which became effective on September 21, 2011, 30 days

after we provided notice of the amendment to our stockholders. The amended share redemption program provides that in the event that any stockholder who has requested that such stockholder's shares be redeemed pursuant to the share redemption program and is participating in the program ceases to hold at least 50 shares of our common stock, we may redeem all of the shares held by that stockholder at the redemption price in effect on the date we determine that the stockholder no longer holds the minimum balance. Minimum balance redemptions will be transacted, solely at our discretion, using funds set aside by our board of directors for that purpose, which will be in addition to the proceeds from the distribution reinvestment plan that otherwise fund redemptions under the program.

Redemptions

During the year ended December 31, 2009, we received requests to redeem 245,343 shares of common stock, of which we redeemed 143,238 shares of common stock for approximately \$1,330,493, or \$9.30 per share, the redemption price set forth in our share redemption program. We funded these redemptions exclusively from proceeds we received in our distribution reinvestment plan. For the same period, due to the limitations of our program, we were not able to redeem 102,103 shares of common stock. During the year ended December 31, 2010, we received additional requests to redeem 191,428 shares of common stock. During the year ended December 31, 2010, we redeemed 155,469 shares of common stock for approximately \$1,445,862, or \$9.30 per share. We funded these redemptions exclusively from proceeds we received in our distribution reinvestment plan.

During the nine months ended September 30, 2011, we received additional requests to redeem 143,957 shares of common stock. During the nine months ended September 30, 2011, we redeemed 136,747 shares of common stock for approximately \$1,271,747, or \$9.30 per share. We funded these redemptions exclusively from proceeds we received in our distribution reinvestment plan.

As of November 1, 2011, there were 89,862 shares which had previously been submitted for redemption but had not yet been redeemed. Pursuant to the terms of our share redemption program and subject to available funding from proceeds received in our distribution reinvestment plan, as well as other funds set aside by our board of directors to make minimum balance redemptions as discussed above, we will redeem the remaining shares requested with funds received from our distribution reinvestment plan in subsequent months on a pro rata basis, except for minimum balance redemptions as discussed above.

Our Performance — Funds from Operations

One of our objectives is to provide cash distributions to our stockholders from cash generated by our operations. Due to certain unique operating characteristics of real estate companies, the National Association of Real Estate Investment Trusts, or NAREIT, an industry trade group, has promulgated a measure known as Funds from Operations, or FFO, which it believes more accurately reflects the operating performance of a REIT such as us. FFO is not equivalent to our net income or loss as defined under GAAP.

We define FFO, a non-GAAP measure, consistent with the standards established by the White Paper on FFO approved by the Board of Governors of NAREIT, as revised in February 2004. The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding gains or losses from sales of property but including asset impairment writedowns, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO.

The historical accounting convention used for real estate requires a straight-line depreciation of buildings and improvements, which implies that the value of real estate assets diminishes predictably over time. Since real estate values historically rise and fall with market conditions, presentations of operating results for a REIT, using historical accounting for depreciation, could be less informative.

Presentation of this information is intended to assist the reader in comparing the operating performance of different REITs, although it should be noted that not all REITs calculate FFO the same way, so comparisons with other REITs may not be meaningful. Factors that impact FFO include non-cash GAAP income and expenses, one-time non-recurring costs, timing of acquisitions, yields on cash held in accounts, income from portfolio properties and other portfolio assets, interest rates on acquisition financing and operating expenses. Furthermore, FFO is not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income, as an indication of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions and should be reviewed in connection with other measurements as an indication of our performance. Our FFO reporting complies with NAREIT's policy described above.

Management adjusted the way in which it determines depreciation attributable to non-controlling interests to be consistent with the method in which income is distributed to the controlling and non-controlling members, in accordance with the respective partnership agreements. As a result, FFO for each of the three months ended June 30, 2011, March 31, 2011 and December 31, 2011 was adjusted by \$(144,649), \$173,279 and \$280,780, respectively, to make it comparative to the current period.

The following is the calculation of FFO for each of last four quarters ended September 30, 2011.

	Three Months Ended			
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Net loss	(1,559,962)	(528,584)	(973,201)	(821,835)
Add:				
Depreciation and Amortization — Consolidated entities	1,449,448	1,262,235	1,208,977	1,250,325
Depreciation and Amortization — Unconsolidated entities	—	—	10,646	15,703
Less:				
Gain on sale of real estate joint venture	—	(168,657)	—	168,657
FFO	(110,514)	564,994	246,422	612,850
Less:				
Noncontrolling Interest	32,374	(143,538)	(60,091)	(158,920)
FFO attributable to Company	<u>(78,140)</u>	<u>421,456</u>	<u>186,331</u>	<u>453,930</u>
FFO per share-basic	(0.01)	0.07	0.04	0.09
FFO per share-diluted	(0.01)	0.07	0.04	0.09
Weighted average number of shares outstanding — basic	6,390,060	5,750,573	5,211,687	4,979,981
Weighted average number of shares outstanding — diluted	6,390,060	5,750,573	5,219,687	4,987,981

Our Property Performance — Net Operating Income

Our net operating income for the nine months ended September 30, 2011 was \$8,962,197 compared to \$10,372,113 for the year ended December 31, 2010 and \$7,404,408 for the year ended December 31, 2009.

We consider net operating income to be an appropriate supplemental performance measure because net operating income reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the property, such as depreciation, interest expense, interest income and general and administrative expenses. Additionally, we believe that net operating income is a widely accepted measure of comparative operating performance in the real estate investment community. However, our use of the term net operating income may not be comparable to that of other real estate companies as they may have different methodologies for computing this amount. We believe that the line on our consolidated statement of operations entitled “Net Loss Attributable to Company” is the most directly comparable GAAP measure to net operating income. The following table is a reconciliation of net operating income to our reported net loss attributable to the Company for the nine months ended September 30, 2011 and for the years ended December 31, 2010, 2009 and 2008:

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Net operating income	\$ 8,962,197	\$ 10,372,113	\$ 7,404,408	\$ 6,274,668
Equity in earnings of real estate joint venture	173,104	83,519	81,153	88,224
Interest income	12,556	9,695	25,550	103,788
Depreciation and amortization expenses	(3,920,660)	(5,258,133)	(3,812,064)	(2,764,030)
Interest expense, including amortization of deferred loan costs	(6,181,474)	(7,624,089)	(6,554,831)	(4,430,622)
General and administrative expenses	(1,117,144)	(1,587,251)	(2,427,858)	(1,873,251)
Noncontrolling interests	736,574	1,178,012	1,784,767	242,673
Acquisition costs	<u>(990,326)</u>	<u>—</u>	<u>(973,047)</u>	<u>—</u>
Net loss attributable to Company	<u>\$ (2,325,173)</u>	<u>\$ (2,826,134)</u>	<u>\$ (4,471,922)</u>	<u>\$ (2,358,550)</u>

Fees and Reimbursements Paid to our Advisor and its Affiliates

Set forth below is a chart showing fees and reimbursements paid to our advisor and its affiliates during the nine months ended September 30, 2011 and the year ended December 31, 2010 in connection with our offerings.

	Nine months Ended September 30, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
<i>Offering Stage:</i>			
Selling Commissions and Dealer Manager Fee	\$ 1,384,839	\$ 524,728	\$ 715,868
Wholesaling Costs	—	—	—
Other Organization and Offering Expenses	525,956	217,000	282,731
<i>Operational Stage:</i>			
Acquisition Fees	359,876	—	298,116
Origination Fees	—	—	—
Reimbursement of Acquisition Expenses	—	—	—
Asset Management Fee	295,916	380,880	330,123
Expense Reimbursement	595,242	1,725,000	—
<i>Disposition Stage:</i>			
Subordinated Disposition Fee	—	—	—
Subordinated Distribution of Net Sales Proceeds	—	—	—
Subordinated Distribution Upon Listing	—	—	—
Subordinated Distribution Upon Termination	—	—	—

As of September 30, 2011, expense reimbursements accrued but not yet paid were approximately \$368,232 and were recorded as a due to affiliates. In addition, as of September 30, 2011, organization and offering costs due from affiliates were approximately \$431,759 (see Note 5 to the condensed consolidated financial statements contained in our Form 10-Q for the quarter ended September 30, 2011 and incorporated by reference herein). The difference creates a net due from affiliates of \$63,527, which must be reimbursed to us within 60 days after the end of our follow-on offering.

Updates to Risk Factors

The “Risk Factors” section of the prospectus has been updated as follows:

We have experienced net losses which could adversely impact our ability to conduct operations, make investments and pay distributions.

We had a net loss of \$2,325,173, \$2,826,134, \$4,471,922 and \$2,358,550, respectively, for the nine months ended September 30, 2011 and the years ended December 31, 2010, December 31, 2009 and December 31, 2008. As a result, Paladin Advisors has paid expenses on our behalf and has deferred the reimbursement of a portion of these expense payments. In the event that our annual net losses continue and if Paladin Advisors ceases paying expenses on our behalf or deferring reimbursement of expenses, we will have less money available to make investments and pay distributions, and our ability to conduct our operations may be adversely impacted.

To date cash flows from operations were insufficient to pay both our operating expenses and to cover the distributions we have paid and/or declared. In order to permit us to pay distributions, we have used cash distributions from our investments and offering proceeds. Paladin Advisors has paid expenses on our behalf and deferred the reimbursement of such expense payments and its receipt of fees we owe Paladin Advisors. We cannot assure our investors that in the future we will be able to achieve cash flows necessary to pay both our expenses and distributions at our historical per share amounts, or to maintain distributions at any particular level, if at all.

Because our cash flows from operations have been insufficient to pay distributions we have paid or declared to our stockholders through the date of this Annual Report, we cannot assure our investors that we will be able to continue paying distributions to our stockholders at our historical per-share amounts, or that the distributions we pay will not decrease or be eliminated in the future. From the date of inception through September 30, 2011, we have paid \$10,879,538 in distributions to our stockholders and intend to continue paying distributions to our stockholders in the future. In order to permit us to pay distributions declared to date, (1) we have used cash distributions from our investments as well as offering proceeds and (2) Paladin Advisors has in the past and, may in the future defer the reimbursement of certain general & administrative expense payments and its receipt of asset management and acquisition fees.

As of September 30, 2011, Paladin Advisors and its affiliates have incurred on our behalf \$7,853,808 in organization and offering costs. In addition, Paladin Advisors and its affiliates paid on our behalf \$2,695,807 in general and administrative expenses in accordance with the 2%/25% Rule, as described below, of which \$2,327,575 has been reimbursed by the Company to Paladin Advisors and \$368,232 has been recorded as due to affiliates on the balance sheet.

In accordance with our charter and pursuant to the Advisory Agreement, Paladin Advisors must fund and pay us quarterly for any amount of operating expenses that in the 12 months then ended exceed the greater of (1) 2% of our average invested assets or (2) 25% of our net income, which we refer to as the “2%/25% Rule,” and we will not reimburse Paladin Advisors for operating expenses incurred on our behalf that in any fiscal year exceed the 2%/25% Rule. During the previous twelve months, our operating expenses, including expenses incurred on behalf of us by Paladin Advisors and its affiliates did not exceed the 2%/25% Rule. Our general and administrative expenses, which are the equivalent of total operating expenses for purposes of the 2%/25% Rule, as a percentage of average invested assets were 0.6% for the nine months ended September 30, 2011. For the nine months ended September 30, 2011, we paid Paladin Advisors asset management fees of \$295,916 and acquisition fees of \$359,876.

We may be obligated to pay these amounts to Paladin Advisors in the future, and the payment of these obligations may impact our ability to pay future distributions subject to the 2%/25% Rule. Paladin Advisors is not obligated to either pay expenses on our behalf beyond the term of the Advisory Agreement or defer reimbursements of expense payments or fees in future periods. At such time as Paladin Advisors requires us to reimburse such expense payments or pay those fees, or if Paladin Advisors were to cease paying expenses on our behalf or deferring reimbursement of expense payments or fees, our ability to pay distributions to our stockholders could be adversely affected, and we may be unable to pay distributions to our stockholders, or such distributions could decrease significantly.

Our directors will determine the amount and timing of future cash distributions to our stockholders based on many factors, including the amount of funds available for distribution (including whether Paladin Advisors continues to pay expenses and/or defer reimbursement of expense payments or fees), our financial condition, requirements we must meet to qualify to be taxed as a REIT, whether to reinvest or distribute such funds, capital expenditures and reserve requirements and general operational requirements. The amount of funds available for distribution will be affected by our ability to identify and make real property investments or real estate related investments as offering proceeds become available, the returns on those real property investments or real estate related investments we make and our operating expense levels, as well as many other variables. We cannot predict how long it may take to identify additional real property investments or real estate related investments, to raise sufficient proceeds or to make real property investments or real estate related investments. We likewise cannot predict whether we will generate sufficient cash flow to continue to pay distributions at historical levels or at all.

In addition, differences in timing between the recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow money, use proceeds from the issuance of securities or sell assets to pay out enough of our taxable income to satisfy the requirement that we distribute at least 90% of our taxable income subject to certain adjustments, in order to qualify as a REIT.

We are uncertain of our sources of debt or equity for funding future capital needs. If we are not able to locate sources of funding, our ability to make necessary capital improvements to our properties may be impaired or delayed.

The net proceeds of our this offering will be used to make real property investments, directly or through joint ventures, make real estate related investments and to pay various fees and expenses. In addition, to be taxed as a REIT, we generally must distribute to our stockholders at least 90% of our taxable income each year, subject to certain adjustments. Because of this distribution requirement, it is not likely that we will be able to fund a significant portion of our future capital needs from retained earnings. We have not identified any sources of debt or equity for future funding. While we have used short term borrowings since the commencement of the Offerings, including borrowings from affiliates of Paladin Advisors, Paladin Advisors is not required to facilitate any future affiliated loans for us, and we cannot assure our investors that adequate sources of funding will be available to us on favorable terms or at all. If we do not have access to sufficient funding in the future, we may not be able to make necessary capital improvements to our properties, pay other expenses or expand our business.

We may structure our joint venture relationships in a manner which may limit the amount we participate in the cash flow or appreciation of an investment.

We may enter into joint venture agreements, the economic terms of which may provide for the distribution of income to us in a manner other than in direct proportion to our ownership interest in the joint venture. For example, while we and a co-venturer may invest an equal amount of capital in an investment, the investment may be structured such that we have a right to priority distributions of cash flow up to a certain target return while the co-venturer may receive a disproportionately greater share of cash flow than we are to receive once such target return has been achieved. Ten of our eleven real estate investments as of December 31, 2010 are structured in this manner. If the total returns from a structured investment exceed the target return for such investment, the co-venturer may

receive more of the cash flow and/or appreciation upon sale of the property than its direct ownership interest would indicate. Conversely, if the total returns from a structured investment fall short of the target return for such investment, the co-venturer may receive less of the cash flow and/or appreciation upon the sale of the property than its direct ownership interest would indicate. If we do not accurately judge the appreciation prospects of a particular investment, we may have limited participation in the profits of a joint venture investment which could reduce our profitability from the investment.

Updates to the “Management” Section of our Prospectus

Changes to the Board of Directors and Corporate Governance Committee

On January 3, 2011, Harvey Lenkin resigned as one of our independent directors. Mr. Lenkin had served on our board of directors since our inception and did not resign because of any disagreements with us. In connection with Mr. Lenkin’s resignation, Michael B. Lenard notified our board on February 25, 2011 that he would resign as one of our directors effective March 4, 2011. Mr. Lenard’s decision was made in consultation with the other members of the board, who had considered reducing the number of our directors from six to five following the resignation of Mr. Lenkin.

The board deemed the reduction of the number of directors the appropriate means of complying with provisions of our charter and bylaws, which both require a majority of the members of the board to be independent directors, except for a period of 60 days after the death, removal or resignation of an independent director. Mr. Lenard serves as one of our officers and as an officer of our advisor and sponsor and therefore does not meet the requirements of an independent director. His resignation will allow the three remaining independent directors, Harold H. Greene, Michael L. Meyer, and Christopher H. Volk, to constitute a majority. At the time of his resignation, Mr. Lenard had no disagreements with us and will continue to serve in his capacities as our Executive Vice President, Secretary and Counselor at our request.

In addition to approving the above measures, the board appointed Mr. Meyer to its Corporate Governance Committee as of March 3, 2011 to fill the vacancy created by Mr. Lenkin’s departure.

Reelection of Directors

At our annual meeting of stockholders held on June 17, 2011, or the 2011 Annual Meeting, John A. Gerson, Harold H. Greene, Michael L. Meyer, Christopher H. Volk and James R. Worms were reelected to our board of directors to serve until the 2012 annual meeting of stockholders and until their respective successors are duly elected and qualified.

Changes to Management

Whitney A. Greaves resigned as our President and Chief Executive Officer effective as of the conclusion of the 2011 Annual Meeting. Ms. Greaves’ responsibilities have been assumed by James R. Worms, who was elected by our board of directors to serve as our President and Chief Executive Officer at the pleasure of our board of directors until his successor is appointed and qualifies, effective as of the conclusion of the 2011 Annual Meeting. Mr. Worms is also our Chairman of the Board and served as our President and Chief Executive Officer from October 2003 to November 2008.

Information Regarding the Current Ages of Members of our Board of Directors

The ages of our directors and executive officers in our prospectus is hereby updated as follows

<u>Name</u>	<u>Age</u>
<i>Directors</i>	
James R. Worms, Chairman, Chief Executive Officer and President	66
John A. Gerson, Chief Financial Officer and Director	63
Harold H. Greene, Independent Director	72
Michael L. Meyer, Independent Director	72
Christopher H. Volk, Independent Director	55
<i>Executive Officers</i>	
William K. Dunbar, Chief Investment Officer	52
Michael B. Lenard, Executive Vice President, Secretary and Counselor	56

Update Regarding Management Compensation

As disclosed in the prospectus, upon termination of the advisory agreement between us, Paladin OP and Paladin Advisors, other than a termination for cause, Paladin Advisors may become entitled to receive a subordinated distribution if certain stockholder return thresholds have been met, and such distribution may be paid in the form of shares of our common stock. If Paladin Advisors receives such a distribution in shares of our common stock, we will not redeem those shares prior to a listing or other liquidity event other than with the proceeds from the sale of assets selected or managed by Paladin Advisors.

Updated Prior Performance Summary Disclosure

The “Prior Performance Summary” section of the prospectus is hereby superseded by the following:

The information presented in this section represents the historical experience of real estate programs sponsored or advised by our sponsor, Paladin Realty, and its affiliates. The following summary is qualified in its entirety by reference to the Prior Performance Tables, which may be found in Appendix A to the prospectus. Investors in our common shares should not assume that they will experience returns, if any, comparable to those experienced by investors in such prior Paladin real estate programs. Investors who purchase our common shares will not thereby acquire any ownership interest in any of the entities to which the following information relates.

The returns to our stockholders will depend in part on the mix of product in which we invest, the stage of investment and our place in the capital structure for our investments. As our portfolio is unlikely to mirror in any of these respects the portfolios of the prior Paladin real estate programs, the returns to our stockholders will vary from those generated by those prior Paladin real estate programs. In addition, all of the prior Paladin real estate programs were conducted through privately-held entities that were not subject to either the up-front commissions, fees and expenses associated with this offering or many of the laws and regulations to which we will be subject. We are also the first program sponsored by Paladin Realty or any of its affiliates that has investment objectives permitting the making or acquiring of mortgage loans or mezzanine loans. None of Paladin Realty, Paladin Advisors or any of their affiliates has experience making such investments or in operating a REIT or a publicly offered investment program. As a result, you should not assume the past performance of the prior Paladin real estate programs will be indicative of our future performance. See “Risk Factors — Risks Relating To Our Business — We differ from prior programs sponsored by Paladin Realty in a number of respects, and therefore the past performance of those programs may not be indicative of our future results” and the Prior Performance Tables located in Appendix A to the prospectus.

Prior Investment Programs

Since 1995, Paladin Realty and its predecessors have managed real estate investments for high net worth individuals, foundations and institutions. As of December 31, 2010, Paladin Realty or its affiliates had sponsored or advised 29 real estate investment partnerships. All of these prior programs had investment objectives generally similar to ours. This offering is the first public offering of a real estate program sponsored by Paladin Realty. The Prior Performance Tables included in Appendix A to this prospectus set forth information as of the dates indicated regarding certain of these prior Paladin real estate programs as to (1) experience in raising and investing funds (Table I); (2) compensation to the sponsor (Table II); (3) annual operating results of the prior programs (Table III); (4) results of completed programs (Table IV); and (5) sales or disposals of property (Table V).

Additionally, Table VI contained in Part II of the registration statement (which is not part of this prospectus) gives certain additional information relating to properties acquired by these Paladin real estate programs. Upon written request, we will furnish a copy of this table to you without charge. See “Where You Can Find Additional Information” in the prospectus.

Summary Information

Capital Raising

The total amount of funds raised from investors in the prior Paladin real estate programs, as of December 31, 2010, was approximately \$1.1 billion. These funds were invested in real estate with an aggregate cost, including debt and investments of joint venture partners, of approximately \$3.3 billion. The total number of investors in these prior programs, collectively, is 115. See Table I and Table II for more detailed information about Paladin Realty’s experience in raising and investing funds and compensation paid to Paladin Realty and its affiliates as the sponsor of these programs.

Investments

The prior Paladin real estate programs had acquired 324 properties as of December 31, 2010. The table below gives further information about these properties:

<u>Location</u>	<u>Properties Purchased (as a percentage of aggregate purchase price)</u>
United States	
Pacific Coast	29%
West	10%
Plains States	1%
South Central	8%
Southeast	4%
Northeast	5%
Latin America	
Costa Rica	5%
Mexico	10%
Brazil	19%
Chile	8%
Peru	1%

One of the prior Paladin real estate programs has invested in stock of two public Brazilian homebuilding companies, which represents less than 4% of the total costs of all properties and investments made.

The following table gives a percentage breakdown of the aggregate amount of the acquisition and development costs of the properties purchased by the prior Paladin real estate programs, categorized by type of property, as of December 31, 2010, all of which were existing (used) or developed by the program (construction).

	<u>New</u>	<u>Used</u>	<u>Construction</u>
Commercial			
Office Buildings	—	11%	—
Industrial Buildings	—	1%	—
Shopping Centers	—	—	—
Residential			
Apartments	—	25%	—
Hotels	—	6%	—
Homebuilding	—	—	41%
Land Development	—	—	6%
Resort residential	—	—	7%
Other	—	2%	1%
Total	—	45%	55%

Sales

As of December 31, 2010, these prior Paladin real estate programs had sold 156 of the total of 324 properties, or 48% of such properties, to third parties. These completed prior real estate programs made aggregate equity investments of \$334 million in those properties, for which they received a return of \$582 million upon the sale of those properties. In addition to these 156 sold properties, in connection with the termination of another prior Paladin real estate program, that program transferred 79 properties to a newly formed Paladin real estate program. The prior Paladin real estate program made aggregate equity investments of \$156 million in those 79 properties, and in that transaction those equity investments were transferred to the new program based on a \$187 million valuation. See also Tables III, IV and V for more detailed information as to the operating results of the prior Paladin real estate programs whose offerings closed since December 31, 2005, results of such programs that have completed their operations during the five years ending December 31, 2010 and sales or other disposals of properties by the prior Paladin real estate programs during the three years ending December 31, 2010.

Three Year Summary of Acquisitions

From December 31, 2007 through December 31, 2010, the prior Paladin real estate programs acquired 33 residential properties, one apartment property, one office property and two investments in stock of public Brazilian homebuilding companies. The total acquisition costs of these properties was approximately \$301 million, of which approximately \$90 million, or 30%, was financed with mortgage financing and the remaining \$211 million was provided by investors. The locations of these properties, and the number of each property in each location, are as follows: Kansas (1), Brazil (25), Costa Rica (2), Mexico (3) and Peru (6).

See Table VI in Part II of the registration statement of which this prospectus is a part for more detailed information as to the acquisition of properties during the three years ending December 31, 2010. Upon request and for no fee, we will provide a copy of such table to any investor.

Adverse Business Developments

The prior Paladin real estate programs have occasionally been adversely affected by vacancies either due to defaults of tenants under their leases or the expiration or termination of tenant leases. Where vacancies have continued for a long period of time, these programs suffered reduced revenues resulting in less net operating income to be distributed to the investors. In addition, the resale value of such properties may have diminished as the market value of a particular property often depends principally upon the net operating income of such property. Further, certain of the prior Paladin real estate programs have participated in development activities, and the sales pace of the properties developed by such programs has decreased due to global economic conditions.

Prior Performance Tables

The prior performance tables contained in the prospectus are hereby updated by the prior performance tables attached to this Supplement No. 13 as Appendix A. The updated prior performance tables supersede and replace the prior performance tables contained in the prospectus.

Update Regarding Our Advisory Agreement

On July 20, 2011, we entered into the Sixth Amended and Restated Advisory Agreement, effective as of July 28, 2011, with Paladin Realty Income Properties, L.P., or Paladin OP, our operating partnership, and our advisor. The Sixth Amended and Restated Advisory Agreement expires on July 28, 2012 but otherwise has identical terms to the Fifth Amended and Restated Advisory Agreement dated as of July 28, 2010.

Update Regarding Our Dealer Manager

On September 1, 2011, our advisor, Paladin Realty Advisors, LLC, completed the transfer 100% of its ownership interest in our dealer manager, KBR Capital Markets, LLC (formerly known as Paladin Realty Securities, LLC), a broker-dealer registered with the SEC and the Financial Industry Regulatory Authority, Inc., or FINRA, to KBR Capital Partners, LLC, or KBR Capital Partners. Notwithstanding the completion of the transfer, FINRA is continuing its review and has the ability to impose certain restrictions or conditions upon our dealer manager or even disapprove the transaction and require us to unwind the transfer.

KBR Capital Partners, a Delaware limited liability company controlled by Vinay Kumar and Bhavin Shah, is an institutional alternative investments firm that employs a multi-manager strategy to deliver a diversified and distinctive array of investment opportunities to individual and institutional investors. Paladin Realty Partners, LLC, our sponsor, has entered into a joint venture agreement with KBR Capital Advisors, LLC, an affiliate of KBR Capital Partners, pursuant to which it they may jointly sponsor additional public and private investment funds in the future.

Termination of the Automatic Reinvestment Plan

We previously disclosed that we had terminated as of March 7, 2011 the automatic investment plan described on page 148 of the prospectus dated April 29, 2010.

Subscription Agreement

A revised form of subscription agreement is attached as Appendix B. The revised form supersedes and replaces the form included in the prospectus.

Experts

The “Experts” section of the prospectus is hereby replaced in its entirety by the following:

The consolidated balance sheets of Paladin Realty Income Properties, Inc. and subsidiaries as of December 31, 2010 and 2009 and the related consolidated statements of operations, stockholders’ equity and cash flows for each of the years in the three-year period ended December 31, 2010, have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein and upon the authority of said firm as experts in accounting and auditing.

The statement of revenues and certain operating expenses of Evergreen at Coursey Place Apartments for the year ended December 31, 2010 incorporated by reference herein has been audited by Imowitz Koenig & Co., LLP, an independent registered public accounting firm, as indicated in their report with respect thereto and is being incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing.

Information Regarding Documents Incorporated by Reference

We have elected to “incorporate by reference” certain information into this prospectus supplement. By incorporating by reference, we are disclosing important information to you by referring you to documents we have filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement. You may read and copy any document we have electronically filed with the SEC at the SEC’s public reference room in Washington, D.C. at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the operation of the public reference room. In addition, any document we have electronically filed with the SEC is available at no cost to the public over the Internet at the SEC’s website at www.sec.gov. You can also access documents that are incorporated by reference into this prospectus supplement at our Internet website at www.paladinreit.com.

The following documents filed with the SEC are incorporated by reference in this prospectus supplement, except for any document or portion thereof deemed to be “furnished” and not filed in accordance with SEC rules:

- Our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 29, 2011;
- Our Quarterly Reports on Form 10-Q for the period ended March 31, 2011 filed with the SEC on May 13, 2011, for the period ended June 30, 2011 filed with the SEC on August 15, 2011 and for the period ended September 30, 2011 filed with the SEC on November 14, 2011;
- Our Definitive Proxy Statement filed with the SEC on April 25, 2011 in connection with our Annual Meeting of Stockholders held on June 17, 2011; and
- Our Current Reports on Form 8-K filed with the SEC on January 5, 2011, January 25, 2011, March 3, 2011, March 30, 2011, April 26, 2011, May 25, 2011, June 20, 2011, June 30, 2011, July 22, 2011, August 3, 2011, August 9, 2011, August 31, 2011, September 27, 2011, October 11, 2011 and October 27, 2011.

We will provide to each person to whom this prospectus is delivered a copy of any or all of the information that we have incorporated by reference into this prospectus supplement but not delivered with this prospectus supplement. To receive a free copy of any of the reports or documents incorporated by reference in this prospectus supplement, other than exhibits, unless they are specifically incorporated by reference in those documents, write or call us at 10880 Wilshire Blvd., Suite 1400, Los Angeles, California 90024, (866) 725-7348. The information relating to us contained in this prospectus supplement does not purport to be comprehensive and should be read together with the information contained in the documents incorporated or deemed to be incorporated by reference in this prospectus supplement.

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APPENDIX A

PRIOR PERFORMANCE TABLES

The following prior performance tables (“Tables”) provide information relating to the real estate investment programs sponsored by Paladin Realty and its affiliates which have investment objectives similar to ours (the “prior Paladin real estate programs”). This offering is the first publicly offered program sponsored by Paladin Realty. All of the prior Paladin real estate programs have been private real estate investment funds offered to institutional and other private investors or single project real estate investment vehicles, also primarily involving institutional investors.

Prospective investors should read these Tables carefully together with the summary information concerning the prior programs as set forth in the “Prior Performance Summary” section of this prospectus.

Our determination as to which of Paladin Realty’s prior real estate programs have investment objectives similar to ours was based on the type and approximate size or value of the properties in which the programs invested, whether through acquisitions or development of properties, and experience with multiple property types and “value added” opportunities in properties that the programs acquired. We also considered that each program sought investments with the ability to realize growth in the value of the investments. Additionally, these programs sought some investments that would provide the ability to make regular cash distributions. We consider programs that invested primarily in these product types (which would include all the prior Paladin real estate programs) to have investment objectives similar to ours, although we may make investments in other product types from those in which prior Paladin real estate programs have invested and the prior Paladin real estate programs have included some product types in which we currently do not intend to invest.

Although we consider each of the prior Paladin real estate programs to have had similar investment objectives to ours, investors in our common stock should not assume that they will experience returns, if any, comparable to those experienced by investors in such prior Paladin real estate programs. The returns to our stockholders will depend in part on the mix of product in which we invest, the stage of investment and our place in the capital structure for our investments. As our portfolio is unlikely to mirror in any of these respects the portfolios of the prior Paladin real estate programs, the returns to our stockholders will vary from those generated by the prior Paladin real estate programs. In addition, the prior Paladin real estate programs, which were conducted through privately-held entities, were not subject to either the up front commissions, fees and expenses associated with this offering or many of the laws and regulations to which we will be subject. We are also the first program sponsored by Paladin Realty or any of its affiliates to make or acquire mortgage loans or mezzanine loans. None of Paladin Realty, Paladin Advisors or any of their affiliates has experience making such investments or in operating a REIT or a publicly offered investment program. As a result, you should not assume the past performance of the prior Paladin real estate programs will be indicative of our future performance. See “Risk Factors — Risks Relating To Our Business — We differ from prior programs sponsored by Paladin Realty in a number of respects, and therefore the past performance of those programs may not be indicative of our future results.”

The inclusion of the Tables does not imply that we will make investments comparable to those reflected in the tables or that investors in our shares will experience returns comparable to the returns experienced in the programs referred to in the tables. If you purchase our shares, you will not acquire any ownership in any of the programs to which the Tables relate.

The following Tables are included herein:

Table I — Experience in Raising and Investing Funds

Table II — Compensation to Sponsor

Table III — Operating Results of Prior Programs

Table IV — Results of Completed Programs (as applicable)

Table V — Sales or Disposals of Properties

Additional information relating to the acquisition of properties by the prior Paladin real estate programs is contained in Table VI, which is included in Part II of the registration statement which we have filed with the Securities and Exchange Commission. Copies of any or all information will be provided to prospective investors at no charge upon request.

TABLE I
(UNAUDITED)
EXPERIENCE IN RAISING AND INVESTING FUNDS (ON A PERCENTAGE BASIS)(a)

This Table provides a summary of the experience of Paladin Realty as a sponsor in raising and investing funds in programs for which the offerings have closed during the three years ended December 31, 2010. Information is provided as to the manner in which the proceeds of the offering have been applied. Also set forth is information pertaining to the timing and length of these offerings and the time period over which the proceeds have been invested. Information is provided as of December 31, 2010.

	Paladin Realty Latin America Investors III, LP	Villa West Investors, LLC
Dollar Amount Offered	\$500,000,000	3,900,000
Dollar Amount Raised	\$454,333,333	2,582,500
Less offering expenses:		
Selling commissions and discounts retained by affiliates	—	9.5%
Organizational expenses	0.2%	1.9%
Loan Costs	0.3%	0.0%
Reserves		
Percent available for investment	99.55	88.6%
Acquisition costs:		
Prepaid items and fees related to purchase of property	—	—
Purchase Price (cash down payment)	41.9%	88.6%
Acquisition fees	—	—
Other (explain)	—	—
Total acquisition costs	41.9%	88.6%
Percent leverage (mortgage financing divided by total acquisition cost)	28.9%	78.8%
Date offering began	05/01/08	09/22/08
Length of offering (in months)	17	4
Months to invest 90 percent of amount available for investment (measured from beginning of offering)	(b)	(c)

- (a) All percentage amounts except “Percent leverage” represent percentages of the “Dollar Amount Raised.”
(b) This program is still in the process of investing proceeds.
(c) All proceeds were invested at the time the proceeds were accepted from the offering.

Past performance is not necessarily indicative of future performance.

TABLE II
(UNAUDITED)
COMPENSATION TO SPONSOR

Table II summarizes the amount and type of compensation paid to Paladin Realty and its affiliates during the three years ended December 31, 2010 in connection with (a) prior Paladin real estate programs the offerings of which have closed since December 31, 2007 and (b) on an aggregate basis, 14 prior Paladin real estate programs the offerings of which closed on or prior to December 31, 2007.

<u>Type of Compensation</u>	<u>Paladin Realty Latin America Investors III, LP</u>	<u>Villa West Investors, LLC</u>	<u>Other Programs</u>
Date offering commenced	05/01/08	09/22/08	—
Dollar amount raised	\$454,333,333	2,582,500	569,387,156
Amount paid to sponsor from proceeds of offering			
Selling Commissions	—	244,500	—
Acquisition fees			
—real estate commission	—	—	—
—advisory fees	—	—	309,110
—other	—	—	—
Organization Costs	820,027	—	—
Dollar amount of cash generated from operations before deducting payment to sponsor	—	—	N/A
Amount paid to sponsor from operations:			
Property management fees	—	—	—
Partnership management fees	13,269,826	57,500	40,595,421
Reimbursements	1,596,904	—	1,780,482
Leasing commissions	—	—	—
Other (Asset management fees)	—	—	35,650,858
Dollar amount of property sales and refinancing before deducting payments to sponsor			
—cash	22,096,317	—	878,738,516
—notes	—	—	—
Amount paid to sponsor from property sales and refinancing			
Real estate commissions	—	—	—
Incentive fees	—	—	9,569,799
Other — Disposition Fees	—	—	1,030,524

Past performance is not necessarily indicative of future performance.

items	1,796,478	656,492	(333,546)	6,807,195	3,800,822	6,564,595	76,964,885	(69,393,852)	(2,912,966)	9,991	10,854
Tax and Distribution Data per \$1000 Invested											
Federal Income Tax Results:											
Ordinary income (loss)											
—from operations	(1)	(33)	(36)	(34)	(14)	N/A	(4)	(14)	N/A	87	207
—from recapture	—	—	—	—	—	N/A	—	—	N/A	—	—
Capital gain (loss)	—	—	—	—	—	N/A	—	—	N/A	—	—
Cash distributions to Investors											
Source											
—Investment income	—	—	—	—	—	—	—	—	26	93	494
—Return of capital	—	—	—	—	—	—	—	—	19	—	1,000
Source (on cash basis)											
—Sales	—	—	—	—	—	—	—	—	45	—	—
—Refinancing	—	—	—	—	—	—	—	—	—	—	1,360
—Operations	—	—	—	—	—	—	—	—	—	93	134
—Return of Unused Capital Called	—	—	—	—	—	—	—	—	—	—	—
Amounts (in percentage terms) remaining invested in program properties at the end of the last year reported in the Table (original total acquisition cost of properties retained divided by original total acquisition cost of all properties in program)			100%			95.0%			94.0%		100%

(a) Federal income tax results for the 2010 tax year are not yet available for this program.

Past performance is not necessarily indicative of future performance.

APPENDIX B



**SUBSCRIPTION AGREEMENT
FOR SHARES OF PALADIN REALTY INCOME PROPERTIES,
INC.**

1. YOUR INITIAL INVESTMENT

Return to:
Paladin Realty Income Properties, Inc.
c/o Wells Fargo Bank, N.A.
Corporate Trust and Escrow Solutions
Attn: Chad Peterson
625 Marquette Ave. 11th Floor
MAC N9311-115
Minneapolis, MN 55479

Instructions for investors other than
custodial accounts

**Make all checks payable to:
Paladin Realty Income Properties, Inc.**

Wire transfers should be sent to:
Wells Fargo Bank, NA
ABA 121000248
Account Name: Trust Wire Clearing
Account Number: 0000405200
Attn: Chad Peterson (612) 316-2534
Ref. FCT: Paladin Realty Income Properties, Inc.

The minimum investment is \$3,000.

Investment Amount \$

- A. Volume Discount.** Please link the tax identification numbers or account numbers listed below for Volume Discount privileges, so that this and future purchases will receive any discount for which they are eligible.

Tax ID/SSN or Account Number	Tax ID/SSN or Account Number	Tax ID/SSN or Account Number
------------------------------	------------------------------	------------------------------

- B. Check this box if you are eligible for Net Commission Purchases.** Net Commission Purchases are available to: employees (and their spouses and minor children) of a Broker-Dealer, employees (and their spouses and minor children) of Paladin Realty Income Properties, Inc. and its affiliates, investors purchasing through a Registered Investment Advisor (RIA), or investment participants in a wrap account or commission replacement account approved by the Broker-Dealer, a RIA, a bank trust account, or similar entity.

2. FORM OF OWNERSHIP *(Please print clearly)*

(Select only one)

- INDIVIDUAL** **JOINT TENANT**
(Joint accounts will be registered as joint tenants with rights of survivorship unless otherwise indicated)
- Transfer on Death-optional designation of beneficiaries for individual, joint owners with rights of survivorship, or tenants by the entireties.*
- PENSION PLAN** *(Third Party Administered Plans)*
- UNIFORM GIFT/TRANSFER TO MINORS** *(UGMA/UTMA)*
Under the UGMA/UTMA of the State of _____
- CUSTODIAL ACCOUNT**
(Retirement Application must be attached)
 - IRA** **SEP/IRA**
 - ROTH/IRA** **OTHER:** _____
- TRUST** *(Include Trustee Certification)*
- NON-PROFIT ORGANIZATION**
- CORPORATION OR PARTNERSHIP**
(Corporate Resolution or Partnership Agreement must be attached)
- OTHER** *(Include title and signature pages)*

ACCOUNT NUMBER

Individual/Custodian**

Custodian's Name	Tax ID Number	Investor's Account Number
First Name	(Mi) Last Name*	Gender (M/F)
Social Security Number*	Date of Birth (MM,DD,YYYY)*	
Joint Owner/Minor		
First Name	(Mi) Last Name*	Gender (M/F)

Social Security Number*	Date of Birth (MM,DD,YYYY)*
Transfer on Death Beneficiary Information <i>(Individual or Joint Tenant Accounts Only)</i>	
First Name (Mi) Last Name	Social Security Number ___ Primary ___%
First Name (Mi) Last Name	Social Security Number ___ Primary ___%
Trust/Corporation/Partnership/Other Entity	
Name of Trust, Corporation, Partnership or other Entity*	Date of Trust*
Full Name(s) of Trustee(s)*	Tax ID Number*

* *Required by law*

** *For custodial accounts, a completed copy of this Subscription Agreement should be sent directly to the custodian. The custodian will forward the subscription documents and wire the appropriate funds to Wells Fargo Bank, N.A.*

Check this box if you are subject to backup withholding.

3. YOUR ADDRESS (Section 3C must be completed if mailing address in Section 3A is a P.O. Box)

A. Owner's Mailing Address/Address of Record (Will not be accepted without a permanent street address)

Address		Apt. #
City	State	Zip Code
If Non-U.S., Specify Country	Daytime Phone Number	E-Mail Address

B. Joint Owner's Street Address (If different than address of record)

Street Address		Apt. #
City	State	Zip Code
If Non-U.S., Specify Country	Daytime Phone Number	E-Mail Address

If you are using a P.O. Box for your mailing address, then you must provide a street address for verification purposes. Please provide your street address in this section.

C. Residential Street Address

Street Address		Apt. #
City	State	Zip Code
If Non-U.S., Specify Country	Daytime Phone Number	

4. DISTRIBUTION INFORMATION

Complete distribution section to enroll in the Distribution Reinvestment Plan, to elect to receive distributions by direct deposit, or to elect to receive distributions by check mailed to you at the address set forth in Section 3 above. Choose option A, B, C or D.

I hereby subscribe for Shares of Paladin Realty Income Properties, Inc. and elect the distributions option indicated.

A. **Reinvest/Distribution Reinvestment Plan** (see Prospectus for details)

B. **Cash/Direct Deposit** Please attach a voided pre-printed check. (Non-Custodian Investors Only)

I authorize Paladin Realty Income Properties, Inc. or its agent to deposit my distribution to my checking or savings account. This authority will remain in force until I notify Paladin Realty Income Properties, Inc. in writing to cancel it. In the event that Paladin Realty Income Properties, Inc. deposits funds erroneously into my account, they are authorized to debit my account for an amount not to exceed the amount of the erroneous deposit.

Name of Financial Institution	Mailing Address	
City	State	Zip Code

Please attach voided pre-printed check here*

** The above services cannot be established without a preprinted voided check. For Electronic Funds Transfers, signatures of bank account owners are required exactly as they appear on bank records. If the registration at the bank differs from that on this Subscription Agreement, all parties must sign below.*

Signature

Signature

Your Bank's ABA Routing Number	Your Bank Account Number	Checking Account	Savings Account
--------------------------------	--------------------------	------------------	-----------------

C. **Cash/Check** mailed to the address set forth in Section 3A above.

D. **Third-Party Payee.** Send distributions via check to third-party payee listed below: *(Not available for qualified plans without custodial approval)*

Name	Mailing Address
------	-----------------

City	State	Zip Code
------	-------	----------

Account #

5. ELECTRONIC DELIVERY OF REPORTS AND UPDATES

In lieu of receiving paper documents, I authorize Paladin Realty Income Properties, Inc. to make available on its website at www.paladinreit.com its quarterly reports, annual reports, proxy statements, prospectus supplements or other reports required to be delivered to me, as well as any property or marketing updates, and to notify me via e-mail when such reports or updates are available. Please note that electronic delivery of reports and updates is not available to residents of Ohio.

Send notices to: *(You must provide an e-mail address if you choose this option)*

E-Mail Address:

(May not be initially available)

Should you determine that you no longer wish to receive electronic delivery of reports and updates, please contact:

Paladin Realty Income Properties, Inc.

Attn: Operations
10880 Wilshire Boulevard, Suite 1400
Los Angeles, CA 90024
(866) PAL-REIT

6. BROKER-DEALER OR REGISTERED INVESTMENT ADVISOR (RIA) INFORMATION *(All fields mandatory)*

The Broker-Dealer or RIA must sign below to complete order. The Broker-Dealer or RIA hereby warrants that he/she is duly licensed and may lawfully sell Shares in the state designated as the investor's legal residence or the state in which the sale was made, if different.

Broker-Dealer or RIA Firm Name	Financial Advisor Name
--------------------------------	------------------------

Financial Advisor Address

City	State	Zip
------	-------	-----

Advisor Number	Branch Number	Telephone Number
----------------	---------------	------------------

E-Mail Address	Fax Number
----------------	------------

This subscription was made as follows:

- Through a participating Broker-Dealer
- Through a participating RIA* unaffiliated with a participating Broker-Dealer

* A participating RIA is a RIA who has entered into a Selected Advisor Agreement.

The undersigned confirms on behalf of the Broker-Dealer that they (i) have reasonable grounds to believe that the information and representations concerning the investor identified herein are true, correct and complete in all respects; (ii) have discussed such investor's prospective purchase of Shares with such investor; (iii) have advised such investor of all pertinent facts with regard to the lack of liquidity and marketability of the Shares; (iv) have delivered a current Prospectus and related supplements, if any, to such investor; (v) have reasonable grounds to believe that the investor is purchasing these Shares for their own accounts; and (vi) have reasonable grounds to believe that the purchase of Shares is a suitable investment for such investor, that such investor meets the suitability standards applicable to such investor set forth in the Prospectus and related supplements, if any, and that such investor is in a financial position to enable such investor to realize the benefits of such an investment and to suffer any loss that may occur with respect thereto. **I attest that I am a Registered Broker subject to the USA PATRIOT Act. In accordance with Section 326 of the Act, I have performed a Know Your Customer review of each investor who has signed this Subscription Agreement in accordance with the requirements of the Customer Identification Program.**

Financial Advisor Signature	Date	Branch Manager Signature Date <i>(if required by Broker-Dealer)</i>
-----------------------------	------	--

FOR OFFICE USE ONLY

Check #	<input type="text"/>	Deposit Date	<input type="text"/>	Input By:	<input type="text"/>	W/S	<input type="text"/>
Batch #	<input type="text"/>	Admit Date	<input type="text"/>	Proofed By:	<input type="text"/>	Region	<input type="text"/>
Subscription #	<input type="text"/>	Compiled By:	<input type="text"/>	Posted By:	<input type="text"/>	Territory	<input type="text"/>

7. SUBSCRIBER SIGNATURES

TAXPAYER IDENTIFICATION NUMBER OR SOCIAL SECURITY NUMBER CONFIRMATION (*Required*): The investor signing below, under penalties of perjury, certifies that (i) the number shown on this subscription agreement is my correct taxpayer identification number (or I am waiting for a number to be issued to me), (ii) I am not subject to backup withholding because I am exempt from backup withholding, I have not been notified by the Internal Revenue Service ("IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding, and (iii) I am a U.S. person (including a U.S. resident alien).

NOTE: CLAUSE (ii) IN THIS REPRESENTATION SHOULD BE CROSSED OUT IF THE WITHHOLDING BOX HAS BEEN CHECKED IN THE FORM OF OWNERSHIP SECTION.

Paladin Realty Income Properties, Inc. is required by law to obtain, verify and record certain personal information from you or persons on your behalf in order to establish the account. Required information includes name, date of birth, permanent residential address and social security/taxpayer identification number. We may also ask to see other identifying documents. If you do not provide the information, Paladin Realty Income Properties, Inc. may not be able to open your account. By signing the Subscription Agreement, you agree to provide this information and confirm that this information is true and correct. If we are unable to verify your identity, or that of another person(s) authorized to act on your behalf, or if we believe we have identified potentially criminal activity, we reserve the right to take action as we deem appropriate which may include closing your account.

Please separately initial each of the representations below. Except in the case of fiduciary accounts, you may not grant any person a power of attorney to make such representations on your behalf.

Each investor must sign and date this section. If title is to be held jointly, all parties must sign. If the registered owner is a partnership, corporation or trust, a general partner, officer or trustee of the entity must sign.

In order to induce Paladin Realty Income Properties, Inc. to accept this subscription, I hereby represent and warrant to you as follows:

- | | <i>Owner</i> | <i>Joint Owner</i> |
|---|---|---|
| (a) I have received a Prospectus of Paladin Realty Income Properties, Inc. | <input type="text"/>
<i>Initials</i> | <input type="text"/>
<i>Initials</i> |
| (b) I have (i) a minimum net worth (not including home, home furnishings and personal automobiles) of at least \$250,000, or (ii) a minimum net worth (not including home, home furnishings and personal automobiles) of at least \$70,000 AND a minimum annual gross income of at least \$70,000. | <input type="text"/>
<i>Initials</i> | <input type="text"/>
<i>Initials</i> |
| (c) If I am an Alabama or Kentucky investor, I have a liquid net worth of at least 10 times my investment in Paladin Realty Income Properties, Inc. | <input type="text"/>
<i>Initials</i> | <input type="text"/>
<i>Initials</i> |
| (d) If I am an Iowa investor, my maximum investment in Paladin Realty Income Properties, Inc. and its affiliates does not exceed 10% of my net worth. | <input type="text"/>
<i>Initials</i> | <input type="text"/>
<i>Initials</i> |
| (e) If I am a Kansas investor, I understand that the Office of the Kansas Securities Commissioner recommends that investors limit their aggregate investment in shares of Paladin Realty Income Properties, Inc. and other similar direct participation investments to not more than 10% of their liquid net worth, which is defined as that portion of net worth that is comprised of cash, cash equivalents and readily marketable securities. | <input type="text"/>
<i>Initials</i> | <input type="text"/>
<i>Initials</i> |
| (f) If I am a Michigan investor, I have not invested more than 10% of my net worth in Paladin Realty Income Properties, Inc. | <input type="text"/>
<i>Initials</i> | <input type="text"/>
<i>Initials</i> |
| (g) If I am an Oregon or Pennsylvania investor, I have a net worth of at least 10 times my | | |

investment in Paladin Realty Income Properties, Inc.

Initials

Initials

(h) I accept and agree to be bound by the terms and conditions of Paladin Realty Income Properties, Inc.'s Charter and Bylaws.

Initials

Initials

(i) I acknowledge that there is no public market for the Shares and, thus, my investment in Shares is not liquid.

Initials

Initials

(j) I am purchasing the Shares for my own account.

Initials

Initials

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

Signature of Owner Date

Signature of Joint Owner, Date

if applicable

Signature of Custodian/Trustee, Date

if applicable

(MUST BE SIGNED BY CUSTODIAN OR TRUSTEE IF IRA OR QUALIFIED PLAN IS ADMINISTERED BY A THIRD PARTY)

8. MISCELLANEOUS

Investors participating in the Distribution Reinvestment Plan or making subsequent purchases of Shares of Paladin Realty Income Properties, Inc., agree that, if they fail to meet the suitability requirements for making an investment in Shares or can no longer make the other representations or warranties set forth in Section 7 above, they are required to promptly notify Paladin Realty Income Properties, Inc. and the Broker-Dealer in writing.

Investors who reside in the States of Ohio and Alabama may not participate in the Automatic Investment Plan.

All items on the Subscription Agreement must be completed in order for your subscription to be processed. Subscribers are encouraged to read the Prospectus in its entirety for a complete explanation of an investment in the Shares of Paladin Realty Income Properties, Inc. Paladin Realty Income Properties, Inc. will send each stockholder a confirmation of his or her purchases.

Return to: Paladin Realty Income Properties, Inc., c/o Wells Fargo Bank, N. A., Corporate, Municipal and Escrow Solutions, Attn: Chad Peterson, 625 Marquette Ave., 11th Floor, MAC N9311-115, Minneapolis, MN 55479

Paladin Investor Services: Toll-free Phone: 866-PAL-REIT, Fax: 415-485-4553, Email: info@paladinreit.com

Accepted by Paladin Realty Income Properties, Inc.

By	Name	Title
----	------	-------



CORPORATE RESOLUTION
To be completed only by Corporate Subscribers

This form may be used by any current investor(s) (an "Investor") to grant designated officer(s) of a corporation full authority regarding an investment in Paladin Realty Income Properties, Inc. Complete and deliver the form to:

Investor Relations
Paladin Realty Advisors, LLC
c/o Phoenix American Financial Service
2401 Kerner Boulevard
San Rafael, California 94901

1-866-PAL-REIT
1-866-725-7348
e-mail:
investors.relations@paladinREIT.com
www.paladinREIT.com

Date:

I hereby certify that pursuant to:

- (a) a valid meeting of the board of directors of , a corporation organized and existing under and by virtue of the laws of the State of (the "Corporation"), at which said meeting a quorum was present and acting throughout, or
- (b) a valid written consent of such a board of directors,

the following resolution was adopted and remains in full force and effect without modification through the date set forth above:

RESOLVED, that any officers of the Corporation listed below are, and any one of them hereby is, fully authorized, empowered, and directed to invest and to make any modifications to investments in Paladin Realty Income Properties, Inc. and that each of such officers is hereby authorized, empowered, and directed to execute, deliver on behalf of the Corporation and cause the Corporation to perform, under any and all agreements, instruments and other documents, and to take such actions as such officer may reasonably deem necessary or advisable to carry out such investments or modifications thereto.

I further certify that the authority thereby conferred is not inconsistent with the Charter or By-Laws of this Corporation, and that the following is a true and correct list of the officers of this Corporation as of the present date.

OFFICERS Please list all officers of the Corporation who meet the requirements listed above.

Name: Title:

Name: Title:

Name: Title:

In Witness Whereof, I have hereunto set my hand this day of 20

Secretary



TRUSTEE CERTIFICATION OF INVESTMENT POWERS
To be completed only by Trust Subscribers

This form may be used in connection with investments held by a trust in Paladin Realty Income Properties, Inc. Complete and deliver the form to:

Investor Relations
Paladin Realty Advisors, LLC
c/o Phoenix American Financial Services
2401 Kerner Boulevard
San Rafael, CA 94901

1-866-PAL-REIT
1-866-725-7348
e-mail:
investors.relations@paladinREIT.com
www.paladinREIT.com

1. TRUST INFORMATION

Complete Name of the Trust:

Date of the Trust:

Date of the Latest Amendment:

2. AUTHORIZED INDIVIDUAL(S)

You are authorized to accept orders and other instructions from those individuals or entities listed below, unless their authority is expressly limited on this certification (attach extra pages, if necessary.)

Please select one of the following three options:

- The Trustee(s) listed below may act as a majority as provided in the trust document referenced above.
- The Trustee(s) listed below may act independently as provided in the trust document referenced above.
- The Trustee(s) listed below must act collectively as provided in the trust document referenced above.

The following are all of the Trustees of the Trust. Please note: all Trustees must sign this certification in Section 5.

Trustee's Name (please print):

Trustee's Name (please print):

Trustee's Name (please print):

Trustee's Name (please print):

3. SUCCESSOR TRUSTEES Please complete this section if applicable.

Successor Trustees:

Successor Trustees:

Successor Trustees:

Successor Trustees:

TRUSTEE SIGNATURES REQUIRED ON THE BACK OF THIS PAGE.

4. INVESTMENTS PERMITTED

- (a) We certify that we have the power under the Trust and applicable law to enter into transactions involving the establishment and modification of subscriptions pertaining to investments in Paladin Realty Income Properties, Inc. in respect of which the Trust has submitted a subscription agreement.
- (b) We understand you, at your sole discretion and for your sole protection, may require the written consent of any or all Trustees prior to acting upon the instructions of any individual Trustee. We, the Trustee(s), jointly and severally shall indemnify you and hold you harmless from any liability for effecting any orders, transactions and instructions, if you act pursuant to instructions you believe to have been given by any of the Authorized Individuals listed under Sections 2 above.
- (c) We agree to inform you in writing of any amendment to the Trust that affects its interest in Paladin Realty Income Properties, Inc. or its actions in respect thereto, or any change in the composition of the Trustee(s), or any other event that could materially alter the certifications made above. You may rely on the continued validity of this certification indefinitely absent actual receipt of such notice.

5. TRUSTEE SIGNATURES All Trustees must sign. Should only one person execute this agreement, it shall constitute a representation that the signer is the sole Trustee. Attach extra pages if necessary.

Trustee Name (<i>please print</i>)	Signature	Date
Trustee Name (<i>please print</i>)	Signature	Date
Trustee Name (<i>please print</i>)	Signature	Date
Trustee Name (<i>please print</i>)	Signature	Date

