

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

BKY Case No. 15-34301

Christ's Household of Faith, Inc.,

Chapter 11 Case

Debtor.

**NOTICE OF HEARING AND MOTION FOR ORDER AUTHORIZING
CONTINUED USE OF CASH COLLATERAL**

TO: The parties-in-interest as specified in Local Rule 9013-3(a)(2).

1. Christ's Household of Faith, Inc. (the "Debtor") moves the Court for the relief requested below and gives notice of hearing.

2. The Court will hold a hearing on this motion at **9:00 a.m. on February 22, 2017**, in Courtroom 2B, United States Courthouse, 316 North Robert Street, St. Paul, Minnesota.

3. Any response to the motion must be filed and served no later than February 17, 2017, which is five days before the time set for the hearing (including Saturday, Sundays, and holidays). **UNLESS A RESPONSE OPPOSING THE MOTION IS TIMELY FILED, THE COURT MAY GRANT THE MOTION WITHOUT A HEARING.**

4. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334, Fed. R. Bankr. P. 5005, and Local Rule 1070-1. This is a core proceeding. The petition commencing this Chapter 11 case was filed on December 4, 2015 (the "Filing Date"). The case is now pending before this Court.

5. This Motion arises under 11 U.S.C. §§ 105, 361, 363, and 364, and Fed. R. Bankr. P. 4001. This Motion is filed under Fed. R. Bankr. P. 4001, 6004, and 9014 and Local Rules 2002, 4001-2 and 9013-1 to 9013-3. The Court previously authorized the Debtor's use of cash collateral through August 31, 2016, then authorized further use through February 28, 2017. The

Debtor requests that the Court enter an order authorizing the continued use of cash collateral through May 31, 2017 to protect and preserve a commercial property that serves as part of the secured lender's collateral. The grounds for this motion are set out below.

RULE 4001(b)(1)(B) STATEMENT

6. Pursuant to Fed. R. Bankr. P. 4001(b), the Debtor requests authorization to use cash collateral in which Cobalt (as defined below) asserts a security interest to pay expenses critical to the maintenance and preservation of a commercial property that is among the secured lender's real property collateral. The cash collateral is expected to consist mainly of rental income from leases of the commercial property. The Debtor's other expenses—including certain expenses related to supporting the approximately 470 members, including more than 200 children, who comprise the apostolic faith community (the "Community") operated by the Debtor, as well as certain expenses related to the commercial property that the Debtor does not seek to pay using cash collateral—will be paid through funds advanced by related non-debtor entities.¹ The use of cash collateral and advanced funds will allow the Debtor to continue its operations and preserve the Community while pursuing the confirmation of a plan of reorganization. The Debtor requests authorization to use cash collateral for the limited purpose described herein through May 31, 2017, and has provided at least 14 days' notice of the hearing on this Motion. As adequate protection, the Debtor proposes, among other things, to grant the secured lender a replacement lien in its collateral to the extent of cash collateral used, and to preserve the real property collateral.

¹ Like the prior cash collateral motion, the Debtor does not seek a determination that the advances are entitled to administrative priority status. In fact, the plan of reorganization currently filed proposes to treat such advances as gifts. However, if and to the extent that the plan is amended or not confirmed, and the Debtor seeks an express determination that these advances qualify for administrative expense priority treatment, the Debtor will file and serve a separate motion addressing that issue.

BACKGROUND

I. GENERAL BACKGROUND

7. The Debtor is a non-profit entity organized under section 501(d) of the Internal Revenue Code, and is one of a group of related entities that makes up the Community, in which individual members contribute their labor and services to support the Community and its Christian mission.

8. The Community was founded in 1971, and is based in St. Paul, Minnesota. There are currently approximately 470 members of the Community, including over 200 children. All of the Community members live in homes owned or leased by the Debtor. The Community operates a school serving over 165 children from pre-kindergarten through 12th grade. The Community includes a church—Christ’s Household of Faith Church (the “Church”), which is a non-profit organization exempt from taxation pursuant to 501(c)(3) of the Internal Revenue Code. The Community also operates a summer bible camp on property owned by the Church.

9. The members’ contributions to the Community include participating in the business activities of various operating non-debtor entities (the “Operating Entities”) that are wholly-owned by the Debtor. The Operating Entities conduct primarily renovation and home remodeling operations, and the Debtor is generally the umbrella under which the Community and Operating Entities are run. The Debtor’s revenues consist principally of rental income from its owned commercial real estate, and sporadic limited revenue from an automotive services business it operates under the name North Star Services Auto.

10. Historically, the Debtor and the Operating Entities utilized a common treasury system, under which funds were swept from bank accounts and aggregated on a daily basis, then paid out as expenses came due. The Operating Entities contributed funds to the Debtor for use in paying expenses of the Community. All such contributions were booked and tracked.

11. Further general background information about the Debtor and this case is set forth in the Declaration of Mark R. Alleman in Support of Debtor's First Day Motions [dkt. no. 6].

12. On the Filing Date, the Debtor filed a voluntary petition for relief pursuant to chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). The Debtor continues to operate its business as debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. There has been no request or motion for appointment of a trustee or examiner, and no official committee of unsecured creditors has been appointed in this chapter 11 case.

13. By order dated December 22, 2015 [dkt. no. 24], the Court authorized the Debtor to use cash collateral through the end of the week of February 29, 2016. On February 11, 2016, the Debtor filed a Motion for Order Authorizing Further Use of Cash Collateral [dkt. no. 40]. Cobalt filed an objection to the cash collateral motion, and also filed a motion for adequate protection. To resolve Cobalt's objection and adequate protection motion, the Debtor and Cobalt entered into a Stipulation for Further Use of Cash Collateral and Adequate Protection [dkt. no. 52]. On March 2, 2016, the Court entered an Order Authorizing Further Use of Cash Collateral [dkt. no. 53], which approved the stipulation and, among other things, authorized the Debtor's use of cash collateral through August 31, 2016, pursuant to a budget. On August 1, 2016, the Debtor filed a Motion for Order Authorizing Continued Use of Cash Collateral [dkt. no. 92]. In connection with the cash collateral motion and Cobalt's previous adequate protection motion, the Debtor and Cobalt entered into a Stipulation for Continued Use of Cash Collateral and Adequate Protection [dkt. no. 95]. On August 16, 2016, the Court entered an Order Authorizing Continued Use of Cash Collateral [dkt. no. 97], which approved the stipulation and, among other things, authorized the Debtor's use of cash collateral through February 28, 2017, pursuant to a budget.

14. This motion seeks continued use of cash collateral to pay expenses related to the Debtor's commercial property, as set forth in the attached budget, through May 31, 2017. The Debtor filed a plan of reorganization and disclosure statement [dkt. nos. 143 and 144, respectively] on January 13, 2017, and anticipates that the plan effective date will be in April 2017. However, to ensure it has sufficient time to achieve plan confirmation and effectiveness, the Debtor seeks continued use of cash collateral through May 2017.

II. THE PREPETITION SALE OF THE DEBTOR'S PRIMARY SECURED DEBT

15. The Debtor's primary prepetition financing consists of a series of loans made by M&I Marshall & Ilsley Bank ("M&I Bank")—which later became BMO Harris, N.A. ("BMO")—to the Debtor beginning in 2004.

16. Due to the recession, the Community and the Debtor encountered financial difficulty beginning around November 2008. The Debtor worked with M&I Bank and, later, BMO to address the financial challenges. The parties agreed to sell certain properties and extend loans. Over time, the parties established a customary practice for amending and extending the maturity date of the loan agreements.

17. In 2013, the Debtor understood that, consistent with the regular practice, an agreement had been reached with BMO to extend the maturity date of the loans and for the Debtor to use proceeds from a pending sale of the Debtor's commercial property.

18. The Debtor then received notice that the loan documents were sold to LSREF2 Cobalt, LLC, and later transferred to the LSREF2 Cobalt Trust 2013 and then to LSREF2 Cobalt (MN), LLC (collectively "Cobalt").

19. As described in more detail in the Alleman declaration, Cobalt commenced three separate actions in state court to foreclose on the collateral securing the loans, including the

commercial property and 29 residential properties owned by the Debtor that are the homes of Community members. Despite extensive prepetition negotiation efforts, the Debtor and Cobalt were unable to achieve a consensual resolution. The Debtor and Cobalt have continued to negotiate postpetition, and the Debtor believes that a resolution with Cobalt has been reached, as outlined in the plan of reorganization.

PREPETITION FINANCING AND LIENS

I. THE DEBT AND LIENS CLAIMED BY COBALT

A. The Loans and Asserted Amounts Owed

20. The indebtedness claimed by Cobalt consists of amounts owed under seven loans originally made by M&I Bank (collectively, the “Prepetition Financing”).

21. In its proof of claim [claim no. 8], Cobalt asserted that, as of April 6, 2016, the outstanding amount owed by the Debtor for the Prepetition Financing totaled \$12,688,204.39, consisting of approximately \$11.35 million in principal, plus accrued and unpaid interest (including claimed default and post-petition interest), fees, expenses, and other costs (the “Indebtedness”). The claimed total principal amount per each loan is as follows:

Revolving Note A	\$1,000,000
Revolving Note B	\$600,000
Revolving Note C	\$310,999
Revolving Note D	\$150,000
Term Note A	\$1,369,374
Term Note C	\$455,975
Term Note Dated 11/22/04	<u>\$7,463,400</u>
TOTAL	\$11,349,748

22. In its proof of claim, Cobalt also asserts that it may be entitled to additional postpetition interest, costs, charges, and other fees, including attorneys' fees.

23. Cobalt has identified four Operating Entities that it claims are jointly and severally liable for certain of the Debtor's obligations: North Star Services Management, LLC under Revolving Note C and Term Note C; North Star Services, LLC under Revolving Note A; Fabricator's Choice, LLC under Revolving Note B; and North Star Kitchens, LLC under Revolving Note D. *See* Motion of LSREF2 Cobalt (MN), LLC for Adequate Protection [dkt. no. 38]; Cobalt proof of claim.

B. The Collateral in Which Cobalt Claims an Interest

24. The Prepetition Financing from M&I Bank was secured by mortgages and assignments of rents on the commercial property and most of the residential properties owned by the Debtor, as well as a lien on substantially all non-real property assets of the Debtor.

25. Specifically, to secure the Prepetition Financing, the Debtor granted to M&I Bank mortgages and assignments of rents (the "Mortgages") on the commercial property it owns in St. Paul (the "Commercial Property"), as well as on 29 of the residential properties it owns in St. Paul (collectively with the Commercial Property, the "Real Property Collateral"). The Mortgages were recorded in Ramsey County.

26. As additional security for the Prepetition Financing, the Debtor granted to M&I Bank security interests in its existing and after-acquired inventory, equipment, accounts and other rights to payment, and intangibles (collectively with the Real Property Collateral, the "Prepetition Collateral"), as all of those assets are defined and more completely described in the Security Agreement dated June 22, 2005 and applicable UCC financing documents. M&I Bank filed original financing statements, amendments, and continuation statements with the Minnesota

Secretary of State, and various assignments to Cobalt or other entities have been filed with the Minnesota Secretary of State. The UCC financing statements filed as of November 2015 related to the Indebtedness and the Debtor's collateral are attached as Exhibit A.

27. In addition to the Prepetition Collateral pledged by the Debtor, the Prepetition Financing with M&I Bank is secured by certain real and personal property collateral that was pledged by related non-debtor entities. At least four of the eleven Operating Entities, however, did not grant M&I Bank a security interest in any of their assets. The Debtor estimates that the value of the non-debtor collateral will increase from a total value of approximately \$4.69 million to a total value of at least approximately \$4.72 million over the time period during which the Debtor currently seeks use of cash collateral. *See* Exhibit C.

II. OTHER CREDITORS THAT HOLD OR MAY ASSERT SECURITY INTERESTS IN PROPERTY OF THE DEBTOR

28. The Debtor owns other real property separate from the Real Property Collateral. The Debtor has granted to Maple Bank a mortgage on two parcels of real property, and has granted to MidWestOne Bank (as successor in interest to Central Bank) a mortgage on one other parcel of real property. The properties subject to the Maple Bank and MidWestOne Bank mortgages do not generate revenue. Therefore, although Maple Bank and MidWestOne Bank are being served with this motion, the Debtor does not believe that either holds an interest in cash collateral subject to this motion. Indeed, neither has objected to the Debtor's prior motions for use of cash collateral.

29. Certain other parties have filed financing statements covering certain equipment, goods, and improvements and fixtures to real property of the Debtor. The collateral these parties list on their financing statements or may assert interests in does not constitute cash collateral

subject to this motion. None of these parties have objected to the Debtor's prior motions for use of cash collateral.

CASH NEEDS

30. The Debtor seeks to use approximately \$108,873 of cash collateral in which Cobalt claims an interest—which is expected to consist mainly of cash on hand, plus rental income from the Commercial Property and a small amount of income related to North Star Services Auto in the total amount of \$94,000 through May 31, 2017—to pay expenses necessary to maintain and preserve the Commercial Property, as set forth in the cash flow projections and budget attached as Exhibit B (the “Budget”).

31. The Debtor's other expenses—including additional expenses related to the Commercial Property, the preservation of the other collateral in which Cobalt claims an interest, and to pursue a reorganization—will be funded by advances from the Operating Entities, as further described below.

I. USE OF CASH COLLATERAL FOR THE LIMITED PURPOSE OF PRESERVING THE COMMERCIAL PROPERTY, WHICH DIRECTLY INURES TO THE BENEFIT OF COBALT

32. Consistent with the limited requested use of cash collateral, the only expenses shown in the Budget are those expenses that are necessary to maintain and preserve the Commercial Property. These expenses consist of: garbage collection, utilities (heat, water, and light), property tax, property insurance, and minimal maintenance and supply costs (for example, salt for the parking lot and sidewalk areas). As shown in the Budget, these expenses are projected to total approximately \$108,000 over the period covered, with the rental and other income over the same period projected to total approximately \$96,000 (with the difference to be covered out of cash on hand going into the period covered). The remaining cash on hand and any excess income received during that time and not needed to pay the specific Commercial

Property preservation expenses will remain in the Debtor's bank account. Indeed, the Debtor's cash on hand started at \$0 on the Filing Date, and is expected to build to approximately \$136,000 by February 28, 2017 (the end of the previously-approved cash collateral period), then to slightly decrease to approximately \$122,000 at the end of May 2017 (with the decrease primarily due to a substantial property tax payment near the end of the period). The expenses included in the Budget are only those necessary to the maintenance of the Commercial Property and the income stream it generates. With this approach, the only expenses the Debtor seeks to pay using cash collateral are expenses that directly and clearly inure to the benefit of Cobalt.

33. Similarly, the receipts shown in the Budget are only those that constitute cash collateral in which Cobalt claims an interest. The only such receipts during the time period covered in the Budget are expected to be lease payments from the unrelated parties who lease space in the Commercial Property, along with a small amount of income related to North Star Services Auto's vehicle program. The Debtor, including for its operations as North Star Services Auto, has no other accounts receivable—or other rights to payment of the type in which Cobalt claims an interest—that it anticipates receiving during this time period. To the extent that any additional receipts of the type that constitute cash collateral in which Cobalt claims an interest (including any additional receipts generated by North Star Services Auto) are received by the Debtor, they will be deposited in the Debtor's bank accounts.

34. The Budget and requested use of cash collateral *do not* include additional expenses the Debtor will incur related to the Commercial Property, including but not limited to periodic repairs, replacements of required items such as fire extinguishers, and tenant improvements such as refreshing paint and carpeting. In addition, the expenses in the Budget do not include expenses related to the preservation of the other Real Property Collateral—the

residential properties. These expenses, the payment of which also benefits Cobalt, will be paid through the advances by the Operating Entities.

II. OTHER EXPENSES, INCLUDING EXPENSES THAT ALSO INURE TO THE BENEFIT OF COBALT, TO BE PAID WITH FUNDS THAT DO NOT CONSTITUTE CASH COLLATERAL

35. The Debtor's other expenses—including additional expenses related to the Commercial Property and the preservation of the other collateral in which Cobalt claims an interest—will be funded by advances from the Operating Entities. These funds do not constitute cash collateral in which Cobalt claims an interest.

36. The amounts advanced by the Operating Entities to pay expenses of the Debtor will not flow through the Debtor's bank accounts. Only revenue of the Debtor will flow into the Debtor's bank accounts, and will only flow out of the accounts to the extent authorized by the Court in connection with this motion. The Debtor will not use funds from its bank accounts to pay any non-debtor expenses, including any expenses of the Operating Entities.

37. As the Debtor has other expenses that need to be paid, and consistent with the previously-approved practice, the Operating Entities will advance funds to an account opened in the name of North Star Services Management, LLC ("Management"), which will then pay the expenses out of that account. These advances to and expenditures on behalf of the Debtor—made through and out of the new Management account—have been and will be recorded and reported. The Debtor has and will continue to include information as to the receipts and payments out of this account in its monthly operating reports, and will provide copies of the statements for the bank account to the United States Trustee.

38. Between the rental income generated by the Commercial Property and the advances from the Operating Entities, the Debtor projects that it will have sufficient funds to pay

its Chapter 11 administrative expenses, including postpetition operating expenses, while preserving the Prepetition Collateral in a manner that provides adequate protection to Cobalt.

ADEQUATE PROTECTION OF COBALT

39. Cobalt will be adequately protected with respect to the Debtor's limited use of cash collateral, including through the stable or appreciating value of its collateral, a postpetition replacement lien, use of the cash collateral to preserve Cobalt's collateral, and reporting by the Debtor.

I. STABLE OR APPRECIATING COLLATERAL VALUES

40. The Debtor estimates that the value of the Debtor-owned collateral will remain stable or increase throughout the time period during which the Debtor seeks to use cash collateral. While the collateral value projection attached as Exhibit C shows a slight decrease (less than \$20,000) in the value of the Debtor-owned collateral, that projection does not take into account the appreciating value of the Debtor's interest in real property—the 29 homes and commercial building. *See* Exhibit C. The tax assessed value of these properties increased from 2015 to 2016 by approximately \$487,000, and from 2016 to 2017 by approximately \$648,000. *See* Exhibit C. Therefore, the Debtor believes that the value of its collateral will, at minimum, remain stable.

41. In addition to the Debtor-owned assets, Cobalt also asserts an interest in assets of some of the Operating Entities. The assets owned by the Operating Entities include additional real property, as well as other property including accounts receivable, equipment, inventory, and cash. The Debtor estimates that the value of the non-debtor assets will increase from a total value of approximately \$4.69 million to a total value of approximately \$4.72 million over the

time period during which the Debtor seeks use of cash collateral. *See* Exhibit C. These projections also do not reflect the appreciating value of any real property.

42. When combined, and even without reflecting the appreciating value of the real property, the total value of the collateral is expected to increase during the time period during which the Debtor seeks to use cash collateral. *See* Exhibit C.

II. POSTPETITION REPLACEMENT LIEN

43. To adequately protect Cobalt's interests, the Debtor proposes to grant Cobalt a postpetition replacement security interest of the same priority, dignity, and effect as its prepetition interest in the Debtor's cash collateral, to the extent of such cash collateral use.

III. USE OF CASH COLLATERAL SOLELY TO PRESERVE THE COMMERCIAL PROPERTY; USE OF ADVANCED FUNDS TO PRESERVE OTHER COBALT COLLATERAL

44. The main adequate protection of Cobalt, however, is the fact that the use of cash collateral itself protects Cobalt's interest in a key piece of its collateral: the Commercial Property. Essentially, the Debtor will be putting the income generated by the Commercial Property back into the Commercial Property to preserve the property and generate future rental income. Such use of cash collateral will ensure that the value of the Commercial Property (and the rents it generates) is protected.

45. In contrast, if the Debtor is not authorized to use the cash collateral to preserve the Commercial Property, it is possible that the Debtor may be unable to sufficiently preserve the collateral, or may even be forced to cease operations entirely. In that event, the value of the Debtor's assets would be reduced to a forced liquidation or foreclosure sale value, which is

significantly lower,² and the real property could suffer from a lack of maintenance, which would be particularly acute during the remaining winter weather. Thus, the Debtor's use of cash collateral presents a much lower risk of loss to Cobalt than the loss it could face if the Debtor does not use cash collateral.

46. In addition, the Debtor will pay other expenses necessary to the preservation of Cobalt's other collateral—such as paying utilities for the Debtor-owned residential properties on which Cobalt holds a mortgage—using funds advanced by the Operating Entities. The Debtor also continues to otherwise maintain or improve all of Real Property Collateral, including maintaining available insurance. A description of the Debtor's efforts and expenditures to preserve the Real Property Collateral can be found in the Debtor's Reply to Objections to Motion for Order Authorizing Use of Cash Collateral for Limited Purpose [dkt. no. 23].

IV. REGULAR REPORTING

47. Finally, as additional adequate protection, the Debtor will provide to Cobalt copies of the monthly operating reports filed with the Office of the United States Trustee.

48. The Debtor has discussed or will discuss its requested use of cash collateral and the Budget with Cobalt. The Debtor continues to seek Cobalt's consent to the Debtor's use of cash collateral.

49. Prior to the hearing on this motion, and in settlement of any and all matters raised in this motion, the Debtor may enter into a stipulation or agreed order with Cobalt concerning the use of cash collateral, adequate protection, and other related matters. In the event the Debtor enters into any such stipulation, it will seek approval of the stipulation without further notice or

² Because, among other things, the 29 Debtor-owned residential properties in which Cobalt claims an interest are all located within approximately one square mile, a liquidation or foreclosure sale of all the properties dramatically depresses the value of the properties.

hearing pursuant to Bankruptcy Rule 4001(d)(4), and **THE DEBTOR HEREBY GIVES NOTICE OF INTENT TO SEEK APPROVAL OF ANY SUCH STIPULATION OR AGREED ORDER.**

50. Pursuant to Local Rule 9013-2(a), this motion is accompanied by a memorandum of law, proposed order, and proof of service.

51. Pursuant to Local Rule 9013-2(c), the Debtor gives notice that it may, if necessary, call one or more of the following to testify regarding the facts set out in this motion: Mark R. Alleman, the CFO of the Debtor, whose business address is 23 Empire Drive, St. Paul, Minnesota 55103, or financial consultant Rod Peterson of the Platinum Group, whose business address is 9855 West 78th Street, Eden Prairie, Minnesota 55344.

WHEREFORE, the Debtor respectfully requests that the Court enter an order, substantially in the form of the proposed order as submitted herewith or later to the Court, granting:

A. Final authorization to continue using cash collateral in which Cobalt claims an interest in compliance with the Budget and through May 31, 2017; and

B. Such other and further relief as the Court deems just and equitable.

Dated: February 8, 2017

/s/ Ryan T. Murphy
Ryan T. Murphy (#0311972)
Sarah M. Olson (#0390238)
FREDRIKSON & BYRON, P.A.
200 South Sixth Street, Suite 4000
Minneapolis, MN 55402-1425
Telephone: 612.492.7000
rmurphy@fredlaw.com
solson@fredlaw.com

ATTORNEYS FOR DEBTOR

60449910

VERIFICATION

I, Mark R. Alleman, am the CFO of the Debtor, and declare under penalty of perjury that the facts set forth in the preceding motion, and the exhibits to the motion, are true and correct, according to the best of my knowledge, information, and belief.

Dated: February 08, 2017

Signed: _____

Mark R. Alleman

60449910

EXHIBIT A

UCC FINANCING STATEMENTS

UCC FINANCING STATEMENT

Filing NO: 200517023180
Filing Date: 2005/06/24
Filing Time: 10:30 AM
State of Minnesota
Processing Office: Secretary of State
Filed by: boono01

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional) 612-347-0300 (KMB)	
B. SEND ACKNOWLEDGMENT TO: (Name and Address) Moss & Barnett A Professional Association 4800 Wells Fargo Center 90 South Seventh Street Minneapolis, MN 55402	

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME – insert only one debtor name (1a or 1b) – do not abbreviate or combine names

1a. ORGANIZATION'S NAME Christ's Household of Faith, Inc.						
OR	1b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX	
1c. MAILING ADDRESS 23 Empire Drive			CITY St. Paul	STATE MN	POSTAL CODE 55103	COUNTRY USA
1d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION Corporation	1f. JURISDICTION OF ORGANIZATION MN	1g. ORGANIZATIONAL ID #, if any I-1026 <input type="checkbox"/> NONE		

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one debtor name (2a or 2b) – do not abbreviate or combine names

2a. ORGANIZATION'S NAME North Star Services Management, LLC						
OR	2b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX	
2c. MAILING ADDRESS 23 Empire Drive			CITY St. Paul	STATE MN	POSTAL CODE 55103	COUNTRY USA
2d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION Limited Liability Company	2f. JURISDICTION OF ORGANIZATION MN	2g. ORGANIZATIONAL ID #, if any 9348-LLC <input type="checkbox"/> NONE		

3. SECURED PARTY'S NAME (or NAME OF TOTAL ASSIGNEE of ASSIGNOR S/P) – insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME M&I Marshall & Ilsley Bank						
OR	3b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX	
3c. MAILING ADDRESS 651 Nicollet Mall			CITY Minneapolis	STATE MN	POSTAL CODE 55402	COUNTRY USA

4. This FINANCING STATEMENT covers the following collateral:

All assets of each Debtor, including, without limitation, all inventory, accounts, equipment, general intangibles, payment intangibles, software, instruments, chattel paper and rights to payment of each Debtor, whether now owned or hereafter acquired; all documents of title relating to any of the foregoing; and all products, proceeds, accessions, renewals and substitutions of any of the foregoing.

5. ALTERNATIVE DESIGNATION (if applicable): <input type="checkbox"/> LESSEE/LESSOR <input type="checkbox"/> CONSIGNEE/CONSIGNOR <input type="checkbox"/> BAILEE/BAIOLR <input type="checkbox"/> SELLER/BUYER <input type="checkbox"/> AG. LIEN <input type="checkbox"/> NON-UCC FILING	
6. <input type="checkbox"/> This FINANCING STATEMENT is to be filed [for record] in the REAL ESTATE RECORDS. Attach Addendum (if applicable)	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (optional) <input type="checkbox"/> All Debtors <input type="checkbox"/> Debtor 1 <input type="checkbox"/> Debtor 2
8. OPTIONAL FILER REFERENCE DATA	

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME Christ's Household of Faith, Inc.		
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME
		MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one name (11a or 11b) - do not abbreviate or combine names

11a. ORGANIZATION'S NAME North Star Surfaces, LLC				
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
11c. MAILING ADDRESS 23 Empire Drive		CITY St. Paul	STATE MN	POSTAL CODE 55103
11d. TAX ID #: SSN OR EIN		11e. TYPE OF ORGANIZATION Limited Liability Company	11f. JURISDICTION OF ORGANIZATION MN	11g. ORGANIZATIONAL ID #, if any 9330-LLC <input type="checkbox"/> NONE

12. ☐ ADDITIONAL SECURED PARTY S or ☐ ASSIGNOR S/P'S NAME - insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME				
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
12c. MAILING ADDRESS		CITY	STATE	POSTAL CODE
				COUNTRY

13. This FINANCING STATEMENT covers ☐ timber to be cut or ☐ as extracted collateral, or is filed as a ☐ fixture filing.

14. Description of real estate:

16. Additional collateral description:

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

17. Check only if applicable and check only one box.
Debtor is a ☐ Trust or ☐ Trustee acting with respect to property held in trust or ☐ Decedent's Estate

18. Check only if applicable and check only one box.
☐ Debtor is a TRANSMITTING UTILITY
☐ Filed in connection with a Manufactured-Home Transaction - effective 30 years
☐ Filed in connection with a Public-Finance Transaction - effective 30 years

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME Christ's Household of Faith, Inc.		
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one name (11a or 11b) – do not abbreviate or combine names

11a. ORGANIZATION'S NAME Fabricator's Choice, LLC				
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
11c. MAILING ADDRESS 23 Empire Drive		CITY St. Paul	STATE MN	POSTAL CODE 55103 COUNTRY USA
11d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	11e TYPE OF ORGANIZATION Limited Liability Company	11f. JURISDICTION OF ORGANIZATION MN	11g. ORGANIZATIONAL ID #, if any 17709-LLC <input type="checkbox"/> NONE

12. ☐ ADDITIONAL SECURED PARTY S or ☐ ASSIGNOR S/P'S NAME – insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME				
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
12c. MAILING ADDRESS		CITY	STATE	POSTAL CODE COUNTRY

13. This FINANCING STATEMENT covers ☐ timber to be cut or ☐ as extracted collateral, or is filed as a ☐ fixture filing.

14. Description of real estate:

16. Additional collateral description:

15 Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

17. Check only if applicable and check only one box.
Debtor is a ☐ Trust or ☐ Trustee acting with respect to property held in trust or ☐ Decedent's Estate18. Check only if applicable and check only one box.
☐ Debtor is a TRANSMITTING UTILITY
☐ Filed in connection with a Manufactured-Home Transaction – effective 30 years
☐ Filed in connection with a Public-Finance Transaction – effective 30 years

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME Christ's Household of Faith, Inc.		
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME
		MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:**THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY****11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one name (11a or 11b) – do not abbreviate or combine names**

11a. ORGANIZATION'S NAME North Star Kitchens, LLC				
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
11c. MAILING ADDRESS 23 Empire Drive		CITY St. Paul	STATE MN	POSTAL CODE 55103
11d. TAX ID #: SSN OR EIN		11e. TYPE OF ORGANIZATION Limited Liability Company	11f. JURISDICTION OF ORGANIZATION MN	11g. ORGANIZATIONAL ID #, if any 9349-LLC <input type="checkbox"/> NONE

12. ☐ ADDITIONAL SECURED PARTY'S or ☐ ASSIGNOR S/P'S NAME – insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME				
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
12c. MAILING ADDRESS		CITY	STATE	POSTAL CODE
				COUNTRY

13. This FINANCING STATEMENT covers ☐ timber to be cut or ☐ as extracted collateral, or is filed as a ☐ fixture filing.

14. Description of real estate:

16. Additional collateral description:

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

17. Check only if applicable and check only one box.Debtor is a ☐ Trust or ☐ Trustee acting with respect to property held in trust or ☐ Decedent's Estate18. Check only if applicable and check only one box.
☐ Debtor is a TRANSMITTING UTILITY
☐ Filed in connection with a Manufactured-Home Transaction – effective 30 years
☐ Filed in connection with a Public-Finance Transaction – effective 30 years

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME Christ's Household of Faith, Inc.		
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:**THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY****11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one name (11a or 112b) – do not abbreviate or combine names**

11a. ORGANIZATION'S NAME North Star Remodeling, LLC				
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
11c. MAILING ADDRESS 23 Empire Drive		CITY St. Paul	STATE MN	POSTAL CODE 55103 COUNTRY USA
11d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	11e TYPE OF ORGANIZATION Limited Liability Company	11f. JURISDICTION OF ORGANIZATION MN	11g. ORGANIZATIONAL ID #, if any 9347-LLC <input type="checkbox"/> NONE

12. ☐ ADDITIONAL SECURED PARTY'S or ☐ ASSIGNOR S/P'S NAME – insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME				
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
12c. MAILING ADDRESS		CITY	STATE	POSTAL CODE COUNTRY

13. This FINANCING STATEMENT covers ☐ timber to be cut or ☐ as extracted collateral, or is filed as a ☐ fixture filing.

14. Description of real estate:

16. Additional collateral description:

15 Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

17. Check only if applicable and check only one box.Debtor is a ☐ Trust or ☐ Trustee acting with respect to property held in trust or ☐ Decedent's Estate18. Check only if applicable and check only one box.
☐ Debtor is a TRANSMITTING UTILITY
☐ Filed in connection with a Manufactured-Home Transaction – effective 30 years
☐ Filed in connection with a Public-Finance Transaction – effective 30 years

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME		
Christ's Household of Faith, Inc.		
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME
		MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:**THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY****11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one name (11a or 11b) – do not abbreviate or combine names**

11a. ORGANIZATION'S NAME				
North Star Services Electric, LLC				
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
11c. MAILING ADDRESS		CITY	STATE	POSTAL CODE
23 Empire Drive		St. Paul	MN	55103
11d. TAX ID #: SSN OR EIN		11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGANIZATION	11g. ORGANIZATIONAL ID #, if any
ADD'L INFO RE ORGANIZATION DEBTOR		Limited Liability Company	MN	9356-LLC <input type="checkbox"/> NONE

12. ☐ ADDITIONAL SECURED PARTY'S or ☐ ASSIGNOR S/P'S NAME – insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME				
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
12c. MAILING ADDRESS		CITY	STATE	POSTAL CODE

13. This FINANCING STATEMENT covers ☐ timber to be cut or ☐ as extracted collateral, or is filed as a ☐ fixture filing.

14. Description of real estate:

16. Additional collateral description:

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

17. Check only if applicable and check only one box.Debtor is a ☐ Trust or ☐ Trustee acting with respect to property held in trust or ☐ Decedent's Estate18. Check only if applicable and check only one box.
☐ Debtor is a TRANSMITTING UTILITY
☐ Filed in connection with a Manufactured-Home Transaction – effective 30 years
☐ Filed in connection with a Public-Finance Transaction – effective 30 years

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME Christ's Household of Faith, Inc.		
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one name (11a or 112b) – do not abbreviate or combine names

11a. ORGANIZATION'S NAME EMPIRE BUILDER AUTO, LLC				
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
11c. MAILING ADDRESS 23 Empire Drive		CITY St. Paul	STATE MN	POSTAL CODE 55103 COUNTRY USA
11d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	11e TYPE OF ORGANIZATION Limited Liability Company	11f. JURISDICTION OF ORGANIZATION MN	11g. ORGANIZATIONAL ID #, if any 9130-LLC <input type="checkbox"/> NONE

12. ☐ ADDITIONAL SECURED PARTY S or ☐ ASSIGNOR S/P'S NAME – insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME				
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
12c. MAILING ADDRESS		CITY	STATE	POSTAL CODE COUNTRY

13. This FINANCING STATEMENT covers ☐ timber to be cut or ☐ as extracted collateral, or is filed as a ☐ fixture filing.

14. Description of real estate:

16. Additional collateral description:

15 Name and address of a RECORD OWNER of above-described real estate (If Debtor does not have a record interest):

17. Check only if applicable and check only one box.

Debtor is a ☐ Trust or ☐ Trustee acting with respect to property held in trust or ☐ Decedent's Estate

18. Check only if applicable and check only one box.

☐ Debtor is a TRANSMITTING UTILITY
☐ Filed in connection with a Manufactured-Home Transaction – effective 30 years
☐ Filed in connection with a Public-Finance Transaction – effective 30 years

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME Christ's Household of Faith, Inc.		
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME
		MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one name (11a or 11b) – do not abbreviate or combine names

11a. ORGANIZATION'S NAME Quantum Management Systems, LLC				
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
11c. MAILING ADDRESS 23 Empire Drive		CITY St. Paul	STATE MN	POSTAL CODE 55103
11d. TAX ID #: SSN OR EIN		11e. TYPE OF ORGANIZATION Limited Liability Company	11f. JURISDICTION OF ORGANIZATION MN	11g. ORGANIZATIONAL ID #, if any 27536-LLC <input type="checkbox"/> NONE

12. ☐ ADDITIONAL SECURED PARTY S or ☐ ASSIGNOR S/P'S NAME – insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME				
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
12c. MAILING ADDRESS		CITY	STATE	POSTAL CODE
				COUNTRY

13. This FINANCING STATEMENT covers ☐ timber to be cut or ☐ as extracted collateral, or is filed as a ☐ fixture filing.

14. Description of real estate:

16. Additional collateral description:

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

17. Check only if applicable and check only one box.

Debtor is a ☐ Trust or ☐ Trustee acting with respect to property held in trust or ☐ Decedent's Estate

18. Check only if applicable and check only one box.

☐ Debtor is a TRANSMITTING UTILITY
☐ Filed in connection with a Manufactured-Home Transaction – effective 30 years
☐ Filed in connection with a Public-Finance Transaction – effective 30 years

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME Christ's Household of Faith, Inc.		
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY**11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one name (11a or 11b) – do not abbreviate or combine names**

11a. ORGANIZATION'S NAME SoftWares, LLC				
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
11c. MAILING ADDRESS 23 Empire Drive		CITY St. Paul	STATE MN	POSTAL CODE 55103 COUNTRY USA
11d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION Limited Liability Company	11f. JURISDICTION OF ORGANIZATION MN	11g. ORGANIZATIONAL ID #, if any 9071-LLC <input type="checkbox"/> NONE

12. ☐ ADDITIONAL SECURED PARTY S or ☐ ASSIGNOR S/P'S NAME – insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME				
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX
12c. MAILING ADDRESS		CITY	STATE	POSTAL CODE COUNTRY

13. This FINANCING STATEMENT covers ☐ timber to be cut or ☐ as extracted collateral, or is filed as a ☐ fixture filing.

14. Description of real estate:

16. Additional collateral description:

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

17. Check only if applicable and check only one box.
Debtor is a ☐ Trust or ☐ Trustee acting with respect to property held in trust or ☐ Decedent's Estate18. Check only if applicable and check only one box.
☐ Debtor is a TRANSMITTING UTILITY
☐ Filed in connection with a Manufactured-Home Transaction – effective 30 years
☐ Filed in connection with a Public-Finance Transaction – effective 30 years

UCC FINANCING STATEMENT AMENDMENT

A. NAME & PHONE OF CONTACT AT FILER (optional)	Filing Number: 20071682323
B. SEND ACKNOWLEDGMENT TO: (Name and Address)	Filing Date: 05/17/2007
LEASE FINANCE GROUP	Filing Time: 1:42 pm
7700 EQUITABLE DRV	Processing Office: State of Minnesota
EDEN PRAIRIE, MN 55344	Secretary of State
	Filed By: UCCOnlineFiling

1a. INITIAL FINANCING STATEMENT FILE # 200517023180	1b. This FINANCING STATEMENT AMENDMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. <input type="checkbox"/>
--------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to security interest(s) of the Secured Party authorizing this Termination Statement.

3. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to security interest(s) of the Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law.

4. ☐ ASSIGNMENT (full or partial): Give name of assignee in item 7a or 7b and address of assignee in item 7c; and also give name of assignor in Item 9.

5. AMENDMENT (PARTY INFORMATION): This Amendment affects ☐ Debtor or ☐ Secured Party of Record. Check only one of these two boxes.

Also check one of the following three boxes and provide appropriate information in items 6 and/or 7.

☐ CHANGE name and/or address: Please refer to the detailed instructions in regards to changing the name/address of a party. ☐ DELETE name: Give record name to be deleted in item 6a or 6b. ☐ ADD name: Complete item 7a or 7b, and also item 7c; also complete items 7e-7g (if applicable).

6. CURRENT RECORD INFORMATION

6a. ORGANIZATION'S NAME

--

7. CHANGED (NEW) OR ADDED INFORMATION

7a. ORGANIZATION'S NAME

--

7c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
7d. Tax ID #: SSN or EIN	ADD'L INFO RE ORGANIZATION DEBTOR	7e. TYPE OF ORGANIZATION	7f. JURISDICTION OF ORGANIZATION	7g. ORGANIZATIONAL ID #, if any <input type="checkbox"/> NONE

8. AMENDMENT (COLLATERAL CHANGE): check only one box

Describe collateral ☒ deleted or ☐ added, or give entire ☐ restated collateral description, or describe collateral ☐ assigned.

1 15" Ceramic Cooktop Integrated, s/n: 11285421, 1 648 Pro SXS Glass B/I or F/S S/Steel, s/n: 2556149, 1 Integrated Base Refrigerator 4.9 Cu Ft., s/n: 2534356, 1 48" Dual Fuel Range Broil/Grid Stainless Steel, s/n: 16021838, 1 Red Knob Kit Complete, 1 Bake Stone 30" Kit, 1 Porcelain Dual Wok Grate, 1 Hardwood Cutting Board, 1 Asko Dishwasher, s/n: 061401344596, 1 48" Ventilation Hood Liner, s/n: 15032229, 1 Best Chimney w/Interior 36" Stainless Blower, s/n: 2806003, 1 Systema Deck SL 12" Spl/SS, 1 Kitchen Perimeter Countertop, 1 1/4" Zimbabwe Antique Granite, 1 Island Top Countertop, 1 1/4" Glacier Ice Granite Polished, 1 Fish Tank Display, 1 1/4" Colonial Cream Granite Polished, 1 Toshiba 32HLV66 LCD TV w/DVD, 1 Chief MSR6241 Fixed Position Wall Mount, 11.74 SQ FT Sumi-E Sado Silk 1 X 1 Tiles, 4 A2027-A-15 Satin Nickel, 8 A2027-B-15 Satin Nickel, 90 SQ FT LPWNMB18 Medium Brown Wild Nature18 X 18 Tiles, 58.7 SQ FT Sumi-E Sado Silk 1 X 1 Tile, Venetian Plaster, Pearlescent Grid, 1 64 x 65 11/16 POINTE Glass Tempered Backsplash 2 Glass Show Room Shelves 48 3/16 X 9, 1/2", 1 36" 6 Burner Range, Cream, 1 48" STN STL Cabinet, 1 3cm Bianco Maple Silestone Display, 1 Trac Starter Black 8FT Track Lighting, 1 300 Sq Ft Concrete, 2 Counterstools, 60 SQ FT Kund Multi Color Slate 12 X 12 Tile, 1 Concave 90cm Wall Hood, 4 SQ FT Soft Brushed Aluminum Cabinet Hardware, 1 Brushed Aluminum Cabinet Hardware, 1 Custom Counter Top, 1 Sharp 24" Microwave Drawer, Stainless, s/n: 117869, 5 Sink Accessories, 21 Kitchen Perimeter & Island

9. NAME of SECURED PARTY of RECORD AUTHORIZING THIS AMENDMENT (name of assignor, if this is an assignment). If this is an Amendment authorized by a Debtor which adds collateral or adds the authorizing Debtor, or if this a Termination authorized by a Debtor, check here ☐ and enter name of DEBTOR authorizing this Amendment.

9a. ORGANIZATION'S NAME

M&I Marshall & Illsley Bank

10. OPTIONAL FILER REFERENCE DATA
3937-3

UCC FINANCING STATEMENT AMENDMENT ADDENDUM

Filing Number: 20071682323

11. INITIAL FINANCING STATEMENT FILE # (same as item 1a on Amendment form)

200517023180

12. NAME OF PARTY AUTHORIZING THIS AMENDMENT (same as item 9 on Amendment form)

12a. ORGANIZATION'S NAME

M&I Marshall & Illsley Bank

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY


13. Use this space for additional information

Cabinets, 1 Island Wood Top Cabinet, 18 Large Kitchen Cabinets, 1 Cabinet Frame - Stainless Steel, 2 Cabinet Panels - Exposed Side, 1 Zebrawood 50"L X 28"W Countertops, 1 Kitchen Power Receptacle, 2 Lamps w/Shades, 2 Vinyl Latex Flat Paint, 1 Paint Brush, Miscellaneous Painting Tools, 1 Thermador Refrigerator, 1 Cooktop, 1 Dishwasher, 1 Built-in Coffeemaker, Miscellaneous Building Supplies, 7 Custom Cabinets, 1 Cleaning Rack, 1 Paper Towel Holder, 1 Rail w/6 Hooks, 1 Spice Rack, Miscellaneous Cabinet Hardware & Accessories, 2 Petronilla Square Suspension 24" Stem Kitchen Lights 2 Petronilla Large Tbl/Fl/Square Outer Panel Kitchen Lights, 58.7 SQ FT Sumi-E Sado Silk 1 X 1 Tiles, Showroom Display Cabinet Hardware, 1 Cornufe 110 GB w/Satin Chrome Trim GasCorner Range, 3 26" Stationary Counterstool

Filing NO: 20102041847
Filing Date: 2010/06/01
Filing Time: 12:21 PM
State of Minnesota
Processing Office: Jackson
Filed by: neljur32

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional] JANE RAPANT 262-938-8676	
B. SEND ACKNOWLEDGMENT TO: (Name and Address)	
	Capitol Lien Records & Research, Inc. 1010 North Dale Street St. Paul, MN 55117 651-488-0100

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE # FILING NUMBER 200517023180 FILED ON 6/24/2005		1b. This FINANCING STATEMENT AMENDMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS <input type="checkbox"/>	
2. TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to security interest(s) of the Secured Party authorizing this Termination Statement.			
3. CONTINUATION: Effectiveness of the Financing Statement identified above with respect to security interest(s) of the Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law.			
4. ASSIGNMENT (full or partial): Give name of assignee in item 7a or 7b and address of assignee in item 7c; and also give name of assignor in item 9.			
5. AMENDMENT (PARTY INFORMATION): This Amendment affects <input type="checkbox"/> Debtor or <input type="checkbox"/> Secured Party of record. Check only <u>one</u> of these two boxes. Also check <u>one</u> of the following three boxes and provide appropriate information in items 6 and/or 7. <input type="checkbox"/> CHANGE name and/or address: Please refer to the detailed instructions in regards to changing the name/address of a party. <input type="checkbox"/> DELETE name: Give record name to be deleted in item 6a or 6b. <input type="checkbox"/> ADD name: Complete item 7a or 7b, and also item 7c; also complete items 7d-7g (if applicable).			
6. CURRENT RECORD INFORMATION:			
6a. ORGANIZATION'S NAME CHRIST'S HOUSEHOLD OF FAITH INC, et. al.			
OR			
6b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME SUFFIX
7. CHANGED (NEW) OR ADDED INFORMATION:			
7a. ORGANIZATION'S NAME			
OR			
7b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME SUFFIX
7c. MAILING ADDRESS		CITY	STATE POSTAL CODE COUNTRY
7d. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	7e. TYPE OF ORGANIZATION	7f. JURISDICTION OF ORGANIZATION
			7g. ORGANIZATIONAL ID #, if any <input type="checkbox"/> NONE
8. AMENDMENT (COLLATERAL CHANGE): check only <u>one</u> box. Describe collateral: <input type="checkbox"/> deleted or <input type="checkbox"/> added, or give entire <input type="checkbox"/> restated collateral description, or describe collateral <input type="checkbox"/> assigned.			

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT (name of assignor, if this is an Assignment). If this is an Amendment authorized by a Debtor which adds collateral or adds the authorizing Debtor, or if this is a Termination authorized by the Debtor check here <input type="checkbox"/> and enter the name of DEBTOR authorizing this Amendment.			
9a. ORGANIZATION'S NAME M&I MARSHALL & ILSLEY BANK			
OR			
9b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME SUFFIX
10. OPTIONAL FILER REFERENCE DATA CHRIST'S HOUSEHOLD OF FAITH INC XXXX1873-10003 MN SOS			

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional) Corporation Service Company 1-866-484-2382	
B. E-MAIL CONTACT AT FILER (optional) SPRFiling@cscinfo.com	
C. SEND ACKNOWLEDGMENT TO: (Name and Address) 80838580 - 361930 Corporation Service Company 801 Adlai Stevenson Drive Springfield, IL 62703	
Filed in: Minnesota (S.O.S.)	

Filing NO: 20133421973
Filing Date: 2013/10/18
Filing Time: 4:10 PM
State of Minnesota
Processing Office: Secretary of State
Filed by: tukam01

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
200517023180 06/24/2005

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☒ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:

Check one of these two boxes:

AND Check one of these three boxes to:

This Change affects ☐ Debtor or ☐ Secured Party of record

☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c

☐ ADD name: Complete item 7a or 7b, and item 7c

☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME BMO HARRIS BANK NATIONAL ASSOCIATION, successor to M&I MARSHALL & ILSEY BANK

OR 6b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME LSREF2 COBALT, LLC

OR 7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S)

SUFFIX

7c. MAILING ADDRESS 2711 North Haskell Ave Ste 1700 CITY Dallas STATE TX POSTAL CODE 75204 COUNTRY USA

8. ☐ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☐ RESTATE covered collateral ☐ ASSIGN collateral
Indicate collateral.

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME BMO HARRIS BANK NATIONAL ASSOCIATION, successor to M&I MARSHALL & ILSEY BANK

OR 9b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

10. OPTIONAL FILER REFERENCE DATA Debtor: Christs Household of Faith, Inc.-330151932 42C

80838580

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional) Corporation Service Company 1-866-484-2382	
B. E-MAIL CONTACT AT FILER (optional) SPRFiling@cscinfo.com	
C. SEND ACKNOWLEDGMENT TO: (Name and Address) 80838678 - 361930 Corporation Service Company 801 Adlai Stevenson Drive Springfield, IL 62703	
Filed In: Minnesota (S.O.S.)	

Filing NO: 20133421975
Filing Date: 2013/10/18
Filing Time: 4:12 PM
State of Minnesota
Processing Office: Secretary of State
Filed by: tukam01

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
200517023180 06/24/2005

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☒ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c, and name of Assignor in item 9. For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:

Check one of these two boxes:

AND Check one of these three boxes to:

This Change affects ☐ Debtor or ☐ Secured Party of record

☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c

☐ ADD name: Complete item 7a or 7b, and item 7c

☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME LSREF2 COBALT, LLC				
OR	6b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) [use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name]

7a. ORGANIZATION'S NAME LSREF2 COBALT TRUST 2013				
OR	7b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

7c. MAILING ADDRESS 2711 North Haskell Ave Ste 1700	CITY Dallas	STATE TX	POSTAL CODE 75204	COUNTRY USA
-----------------------------------------------------	-------------	----------	-------------------	-------------

8. ☐ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☐ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)

If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME LSREF2 COBALT, LLC				
OR	9b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

10. OPTIONAL FILER REFERENCE DATA: Debtor: Christs Household of Faith, Inc. - 330151932 43C

80838678

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional) Corporation Service Company 1-866-484-2382	
B. E-MAIL CONTACT AT FILER (optional) SPRFiling@cscinfo.com	
C. SEND ACKNOWLEDGMENT TO: (Name and Address) 80838769 - 361930 Corporation Service Company 801 Adlai Stevenson Drive Springfield, IL 62703	
Filed In: Minnesota (S.O.S.)	

Filing NO: 20133421976
Filing Date: 2013/10/18
Filing Time: 4:14 PM
State of Minnesota
Processing Office: Secretary of State
Filed by: boono01

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER
200517023180 06/24/2005

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record]
(or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☒ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:

Check one of these two boxes:

AND Check one of these three boxes to:

This Change affects ☐ Debtor or ☐ Secured Party of record

☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c

☐ ADD name: Complete item 7a or 7b, and item 7c

☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME LSREF2 COBALT TRUST 2013

OR
6b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME WELLS FARGO BANK, NATIONAL ASSOCIATION

OR
7b. INDIVIDUAL'S SURNAME
INDIVIDUAL'S FIRST PERSONAL NAME
INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

7c. MAILING ADDRESS 333 S Grand Ave., 9th Floor CITY Los Angeles STATE CA POSTAL CODE 90071 COUNTRY USA

8. ☐ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☐ RESTATE covered collateral ☐ ASSIGN collateral
Indicate collateral:

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME LSREF2 COBALT TRUST 2013

OR
9b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

10. OPTIONAL FILER REFERENCE DATA Debtor: Christs Household of Faith, Inc.-330151932 44C

80838769

Filing Number: 823522300162
Date: 04/22/2015
Time: 10:30 AM
STATE OF MINNESOTA
Office: Office of the Minnesota
Secretary of State

UCC3 - Continuation - UCC Financing Statement

ORIGINAL FILING NUMBER: 200517023180

ORIGINAL FILING DATE: 06/24/2005

RETURN ACKNOWLEDGEMENT TO:

Jill Giacomini Corporation Service Company
801 Stevenson Drive
Springfield, IL 62703

AUTHORIZING PARTY

ORGANIZATION'S NAME

Wells Fargo Bank Association

EXHIBIT B

CASH FLOW PROJECTIONS AND BUDGET – COMMERCIAL PROPERTY

1 **Christ's Household of Faith, Inc.**
2 **Cash Collateral Projections & Budget Related to Commercial Property**

	Projected Starting Cash	Projected Week Ending 3/3/2017	Projected Week Ending 3/10/2017	Projected Week Ending 3/17/2017	Projected Week Ending 3/24/2017	Projected Week Ending 3/31/2017	Projected Week Ending 4/7/2017	Projected Week Ending 4/14/2017	Projected Week Ending 4/21/2017	Projected Week Ending 4/28/2017	Projected Week Ending 5/5/2017	Projected Week Ending 5/12/2017	Projected Week Ending 5/19/2017	Projected Week Ending 5/26/2017	Projected Week Ending 6/2/2017	TOTAL (2/25/17 - 6/2/17)
Operating Sources of Cash																
Other Revenue (vehicle related)		2,000	-	-	-	-	2,000	-	-	-	2,000	-	-	-		\$ 6,000
Rent Revenue (commercial property leases)		-	-	30,000	-	-	-	30,000	-	-	-	-	30,000	-		\$ 90,000
Total cash receipts		\$ 2,000	\$ -	\$ 30,000	\$ -	\$ -	\$ 2,000	\$ 30,000	\$ -	\$ -	\$ 2,000	\$ -	\$ 30,000	\$ -	\$ -	\$ 96,000
Disbursements - Preservation of Commercial Property																
Garbage Collection		\$ -	\$ 657	\$ -	\$ -		\$ 657	\$ -	\$ -		\$ 657	\$ -	\$ -	\$ -	\$ 657	\$ 2,628
Utilities - heat, water, light (incl. potential bky deposits required)		-	4,750	-	-	-	4,500	-	-	-	3,750	-	-	-	3,500	\$ 16,500
Property Tax		-	-	-	-	-	-	-	-	-	-	-	56,000	-		\$ 56,000
Property Insurance		-	-	-	6,875	-	-	-	-	6,875	-	-	-	6,875		\$ 20,625
Minimal Maintenance (incl. janitorial) and Supplies		530	500	750	500	1,000	530	1,750	1,000	1,000	530	2,500	1,000	1,000	530	\$ 13,120
Total weekly disbursements		530	5,907	750	7,375	1,000	5,687	1,750	1,000	7,875	4,937	2,500	57,000	7,875	4,687	108,873
Receipts in excess of/(less than) disbursements		1,470	(5,907)	29,250	(7,375)	(1,000)	(3,687)	28,250	(1,000)	(7,875)	(2,937)	(2,500)	(27,000)	(7,875)	(4,687)	(12,873)
Cash available (end of week)	\$ 135,199	136,669	130,762	160,012	152,637	151,637	147,950	176,200	175,200	167,325	164,388	161,888	134,888	127,013	122,326	122,326

EXHIBIT C

COLLATERAL VALUE PROJECTIONS

CHRIST'S HOUSEHOLD OF FAITH, INC.
COLLATERAL VALUE PROJECTION

COLLATERAL	VALUE OF COLLATERAL (as of Filing Date)	PROJECTED VALUE OF COLLATERAL (as of Aug. 31, 2016)	PROJECTED VALUE OF COLLATERAL (as of Feb. 28, 2017)	PROJECTED VALUE OF COLLATERAL (as of May 31, 2017)
Real Property - Commercial Property (taxable market value)	\$ 2,723,500.00	\$ 2,723,500.00	\$ 2,801,200.00	\$ 2,801,200.00
Real Property - 29 Residential Properties (taxable market value)	\$ 7,471,600.00	\$ 7,471,600.00	\$ 8,042,200.00	\$ 8,042,200.00
Accounts Receivable	\$ 423,777.75	\$ 424,000.00	\$ 436,000.00	\$ 429,000.00
Monthly Rental Income	\$ 13,800.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00
Equipment	\$ 45,706.00	\$ 45,706.00	\$ 45,706.00	\$ 45,706.00
Inventory	\$ 9,740.00	\$ 9,740.00	\$ 9,740.00	\$ 9,740.00
Net Cash	\$ -	\$ 107,915.00	\$ 135,199.00	\$ 122,326.00

TOTAL DEBTOR-OWNED COLLATERAL: \$ 10,688,123.75 \$ 10,812,461.00 \$ 11,500,045.00 \$ 11,480,172.00

Debtor's estimate of value of assets

owned by non-debtor entities: \$ 4,444,316.00 \$ 4,606,124.00 \$ 4,687,027.00 \$ 4,717,000.00

Total Debtor and non-debtor \$ 15,132,439.75 \$ 15,418,585.00 \$ 16,187,072.00 \$ 16,197,172.00

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

BKY Case No. 15-34301

Christ's Household of Faith, Inc.,

Chapter 11 Case

Debtor.

**MEMORANDUM OF LAW IN SUPPORT OF MOTION FOR ORDER
AUTHORIZING CONTINUED USE OF CASH COLLATERAL**

Christ's Household of Faith, Inc. (the "Debtor"), as debtor-in-possession, submits this memorandum of law in support of its Motion for Order Authorizing Continued Use of Cash Collateral (the "Motion"). The supporting facts are set forth in the verified Motion. All capitalized terms have the meaning ascribed to them in the Motion.

ANALYSIS

**THE COURT SHOULD AUTHORIZE THE DEBTOR'S PROPOSED
CONTINUED USE OF CASH COLLATERAL**

The Debtor is seeking authorization to use cash collateral for the focused purpose of paying critical and reasonable expenses of the Commercial Property, which is among the Cobalt collateral securing loans it purchased. The cash collateral to be used consists mainly of rental income from the Commercial Property. Cobalt's interest in the rents will be adequately protected—and Cobalt's interest in its other collateral will either not be affected or will actually be preserved and protected—by the proposed use of cash collateral.

I. LEGAL STANDARDS GOVERNING USE OF CASH COLLATERAL.

A. Use of Cash Collateral, Generally

The Bankruptcy Code provides that a debtor in possession may use cash collateral only with the secured creditor's consent or if the court, after notice and a hearing, authorizes such use.

See 11 U.S.C. § 363(c)(2). Section 363(e) of the Bankruptcy Code provides that the court must provide the secured creditor with adequate protection of its interest upon request of the creditor. The Eighth Circuit Court of Appeals described, as follows, the analysis that should be undertaken when determining whether use of cash collateral should be authorized:

In any given case, the Bankruptcy Court must necessarily (1) establish the value of the secured creditor's interest, (2) identify the risk to the secured creditor's value resulting from the Debtor's request for use of cash collateral, and (3) determine whether the Debtor's adequate protection proposal protects values as nearly as possible against risk to that value consistent with the concept of indubitable equivalence.

In re Martin, 761 F.2d 472, 476-77 (8th Cir. 1985).

B. A Secured Creditor's Interest in Rent is Adequately Protected When the Rents Are Used to Pay Operating Expenses of the Property Generating the Rents

A creditor with a security interest in rents is adequately protected when the rents are used to preserve the property generating the rents by paying ordinary and reasonable operating expenses. In re Marion Street P'ship, 108 B.R. 218, 225 (Bankr. D. Minn. 1989) (holding that a secured creditor's interest in real property was adequately protected because "the rents are not being dissipated; rather, they are being used to pay the operating expenses, real estate taxes and required maintenance and repair" of the property); see also In re Donato, 170 B.R. 247, 256 (Bankr. D.N.J. 1994) ("The use of cash collateral to pay the operating expenses of the real property in question adequately protects the interest of secured lenders . . . even where the creditor is undersecured. The debtor will accordingly be permitted to use the rents to pay the operating expenses of the property."); In re Forest Ridge II, Ltd. P'ship, 116 B.R. 937, 948-49 (Bankr. W.D.N.C. 1990) ("To the extent any cash collateral of [the debtor] is used to pay actual, reasonable, and necessary operating expenses related to the operation of [the debtor's] property,

[the secured creditor] is adequately protected by an order which restricts [the] use of cash collateral to the payment of actual, reasonable, and necessary operating expenses[.]”).

The secured creditor is adequately protected because the application of rents to pay operating expenses prevents deterioration and loss of value in the property, and the reinvestment of rents “contribute[s] to the generation of additional rents upon which [the secured creditor’s] interest subsequently attaches.” In re 499 W. Warren Street Assocs., Ltd. P’ship, 142 B.R. 53, 56-57 (Bankr. N.D.N.Y. 1992); see also In re Coventry Commons Assocs., 134 B.R. 606, 611 (Bankr. E.D. Mich. 1991) (“[P]rotecting the property itself is the best way to protect [the secured creditor’s] rights in future rents.”).

II. THE DEBTOR’S REQUESTED USE OF CASH COLLATERAL SHOULD BE AUTHORIZED.

An application of the Martin test, set forth above, shows that the Court should authorize the Debtor’s request to use cash collateral to pay the critical operating expenses of the Commercial Property.

Pursuant to Martin, the first step is to establish the value of the secured creditor’s interest. For purposes of this motion, the creditor’s interest is determined by what the creditor could recover if the collateral were disposed of in the most commercially reasonable manner practicable. In re Boring, 91 B.R. 791, 795 (Bankr. S.D. Ohio 1988); United States v. Smithfield Estates, Inc., 48 B.R. 910, 912 (Bankr. D.R.I. 1985). As shown on Exhibit C to the Motion, as of the Filing Date, the value of the Prepetition Collateral totaled approximately \$10.69 million, which consists primarily of the value of the Real Property Collateral (calculated using 2016 tax-assessed values), as well the rents and some relatively low-value equipment and inventory. The estimated value of the Prepetition Collateral as of February 28, 2017 (the end of the period

through which the Debtor was previously authorized to use cash collateral) increased to approximately \$11.48 million.

The second requirement of Martin requires the court to identify the risk to the secured creditor's value resulting from the debtor's request for use of cash collateral. In the instant case, because the cash collateral the Debtor seeks to use consists of rents, the main risk would be that the Debtor might fail to generate sufficient replacement rents to compensate for their use. In this case, that risk is minimal. In fact, the monthly rental income generated increased from \$13,800 to \$25,500 as of January 1, 2016, further increased to \$30,000 during the previously-approved period of use, and is expected to remain at or above \$30,000 during the full period for which the Debtor seeks continued use of cash collateral. *See* Exhibit B to the Motion. Furthermore, because the Debtor's rent-paying tenants sign leases and pay on a monthly basis, the Debtor can project attrition, income, and expenses with reasonable accuracy. In addition to the value of the rents being maintained, the value of Cobalt's other collateral is not at risk. The value of the equipment and inventory will not be affected by the Debtor's proposed use of cash collateral, the value of the cash on hand decrease only slightly (primarily due to a substantial real property tax payment near the end of the period of use), and there is evidence that the value of the Real Property Collateral will remain stable or increase. See Exhibit C to the Motion. Indeed, given that the requested use of cash collateral is to pay the operating expenses of the Commercial Property—a large piece of the Real Property Collateral—the use of cash collateral will benefit Cobalt and the value of its real property collateral.

In addition to the fact that the proposed use of cash collateral will directly benefit Cobalt through the preservation of the Commercial Property, the use of cash collateral more generally protects Cobalt's interest, as it will allow the Debtor to preserve and maximize values by

continuing operations and pursuing a reorganization. In contrast, if the Debtor is not authorized to use the cash collateral to preserve the Commercial Property, it is possible that the Debtor may be unable to sufficiently preserve the collateral, or may even be forced to cease operations entirely. In that event, the value of the Debtor's assets would be reduced to a forced liquidation or foreclosure sale value, which is significantly lower,¹ and the real property could suffer from a lack of maintenance, which would be particularly acute during the remaining winter weather. Thus, the Debtor's use of cash collateral presents a much lower risk of loss to Cobalt than the loss it could face if the Debtor does not use cash collateral.

The third requirement of Martin requires the Court to examine the debtor's adequate protection proposal to determine that the proposal protects the value of the lender's interest, if any, in the cash collateral relative to the risk to such value. See Martin, 761 F.2d at 477. Here, Cobalt's collateral has a stable or appreciating value during the applicable period. In addition, the Debtor proposes to grant Cobalt a postpetition replacement security interest of the same priority, dignity, and effect as its prepetition interest in the Debtor's cash collateral, to the extent of such cash collateral use. The Debtor will also provide to Cobalt copies of the monthly operating reports filed with the Office of the United States Trustee. The main adequate protection the Debtor will provide to Cobalt, however, is that it will use the rents that constitute cash collateral only to pay critical operating costs of the Commercial Property. As described above, such use of the rents constitutes adequate protection of Cobalt's interest in future rents, and also provides adequate protection as to Cobalt's interest in the Commercial Property. During the relevant time period, the amount of rents is projected to remain stable, and the

¹ Because, among other things, the 29 Debtor-owned residential properties in which Cobalt claims an interest are all located within approximately one square mile, a liquidation or foreclosure sale of all the properties dramatically depresses the value of the properties.

amount of cash on hand is projected to decrease only slightly (but the total value of all collateral is expected to increase). See Exhibits B & C to the Motion. Therefore, as demonstrated by the projections, the risk of loss from operations is minimal, and Cobalt's interest in the Prepetition Collateral will be adequately protected. Furthermore, between the use of cash collateral and the advances from the Operating Entities, the Debtor expects that all operating expenses and administrative expenses in this chapter 11 case will be paid.

In summary, the Martin requirements are met in this case, and the Debtor should be authorized, on a final basis through May 31, 2017, to use cash collateral for the purpose of paying the operating expenses of the Commercial Property in accordance with the Budget.

CONCLUSION

For the foregoing reasons, the Debtor respectfully request that the Court grant the relief requested in the Motion.

Dated: February 8, 2017

/s/ Ryan T. Murphy
Ryan T. Murphy (#0311972)
Sarah M. Olson (#0390238)
FREDRIKSON & BYRON, P.A.
200 South Sixth Street, Suite 4000
Minneapolis, MN 55402-1425
Telephone: 612.492.7000
rmurphy@fredlaw.com
solson@fredlaw.com

ATTORNEYS FOR DEBTOR

60449919

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Christ's Household of Faith, Inc.,

Debtor.

Case No. BKY 15-34301

Chapter 11 Case

CERTIFICATE OF SERVICE

Sarah M. Olson, under penalty of perjury, states that on February 8, 2017, she caused to be served the following:

1. Notice of Hearing and Motion for Order Authorizing Continued Use of Cash Collateral;
2. Memorandum of Law in Support of Motion for Order Authorizing Continued Use of Cash Collateral;
3. Certificate of Service; and
4. Proposed Order

by sending true and correct copies via ECF, e-mail with the recipient's consent, or U.S. mail to the parties on the attached service list.

Dated: February 8, 2017

/e/ Sarah M. Olson
Sarah M. Olson

<u>US TRUSTEE AND OTHER REQUIRED PARTIES</u>	<u>DEBTOR</u>	
United States Trustee U.S. Trustee's Office 1015 US Courthouse 300 South Fourth Street Minneapolis, MN 55415 ustregion12.mn.ecf@usdoj.gov	Christ's Household of Faith, Inc. c/o Mark Alleman 23 Empire Drive Saint Paul, MN 55103 mark@nssmgmt.com	Capital Pharmacy, Inc. Attn: Officer of Managing, General, or Appointed Agent 580 Rice Street Saint Paul, MN 55103
U.S. Trustee Michael Fadlovich U.S. Trustee's Office 1015 US Courthouse 300 South Fourth Street Minneapolis, MN 55415 michael.fadlovich@usdoj.gov	<u>10 LARGEST CREDITORS</u>	Inver Grove Hyundai Attn: Officer of Managing, General, or Appointed Agent 1290 E 50th Street Inver Grove Heights, MN 55077
IRS District Counsel 380 Jackson St, Ste 650 St Paul, MN 55101-4804	Xcel Energy Attn: Officer of Managing, General, or Appointed Agent PO Box 9477 Minneapolis, MN 55484-9477	<u>MAJOR SECURED CREDITORS, OTHER INTERESTED PARTIES, & PARTIES REQUESTING NOTICE</u>
Internal Revenue Service Wells Fargo Place 30 E 7 th St Mail Stop 5700 St. Paul, MN 55101	St Paul Regional Water Service Attn: Officer of Managing, General, or Appointed Agent 1900 Rice St Saint Paul, MN 55113	LSREF2 Cobalt (MN), LLC c/o Steven W. Meyer, Esq. David B. Galle Joseph E. Winandy Fox Rothschild LLP smeyer@foxrothschild.com dgalle@foxrothschild.com jwinandy@foxrothschild.com
Internal Revenue Service Centralized Insolvency Operations Unit PO Box 7346 Philadelphia, PA 19101	Capital One Attn: General Correspondence PO Box 30285 Salt Lake City, UT 84130-0285	LSREF2 Cobalt, LLC Attn: Officer of Managing, General, or Appointed Agent 2711 N Haskell Ave, Ste 1700 Dallas, TX 75204
MN Department of Revenue Collection Enforcement 551 Bankruptcy Section 600 North Robert Street St Paul, MN 55101-2228	Retail Services Attn: Officer of Managing, General, or Appointed Agent PO Box 30257 Salt Lake City, UT 84130	Central Bank c/o Patti Sullivan Attn: Officer of Managing, General, or Appointed Agent 1595 Selby Avenue, Suite 205 St. Paul, MN 55104 patti@mnmicro.net
Office of the U.S. Attorney 600 US Courthouse 300 S Fourth St Minneapolis, MN 55415	Hometown Tire & Service Attn: Officer of Managing, General, or Appointed Agent 1137 S Robert St Saint Paul, MN 55118	Maple Bank c/o Christopher L. Olson GDO Law 4770 White Bear Parkway White Bear Lake, MN 55110 chrisolson@gdolaw.com
Ramsey County Attorney's Office 345 Wabasha Street N, #120 St Paul, MN 55102	BMO Harris Bank, N.A. Attn: Officer of Managing, General, or Appointed Agent PO Box 84047 Columbus, GA 31908	
Ramsey County Property Records and Revenue 90 Plato Blvd. West St Paul, MN 55107	Donald Peterson DDS 1579 Hamline Ave N Saint Paul, MN 55108	
	Dr. James Dodds 1896 N Albert St. Saint Paul, MN 55113	

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

BKY Case No. 15-34301

Christ's Household of Faith, Inc.,

Chapter 11 Case

Debtor.

ORDER AUTHORIZING USE OF CASH COLLATERAL

This matter is before the Court on the debtor's Motion for Order Authorizing Continued Use of Cash Collateral (the "Motion"). Capitalized terms used herein have the meaning ascribed to them in the Motion. Based on the Motion, all the files, records and proceedings herein,

IT IS ORDERED:

1. The debtor is authorized to cash collateral in which Cobalt claims an interest, consistent with the budget attached to the Motion, through February 28, 2017.
2. For purposes of adequate protection, and to the extent of the use of prepetition cash collateral in which Cobalt claims a security interest, the debtor is authorized to grant to Cobalt a replacement lien, pursuant to 11 U.S.C. § 552, in the debtor's postpetition assets of the same priority, dignity and effect as the prepetition lien, if any, on the prepetition property of the debtor; provided, however, that such replacement lien shall not attach to avoidance actions or other actions under Chapter 5 of the Bankruptcy Code or any proceeds or recoveries therefrom.
3. As and for additional adequate protection, the expenditures set forth in the budget will preserve the value of Cobalt's collateral by paying necessary operating expenses of the commercial property in which Cobalt claims a security interest, thereby maintaining such real property and generating future rental income.

4. As and for additional adequate protection, the debtor agrees to provide to Cobalt a copy of the monthly operating reports required by the Office of the United States Trustee.

Dated:

William J. Fisher
United States Bankruptcy Judge

60449923