

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

In re:

Fenton Sub Parcel D, LLC  
Debtor.

Case No. BKY 11-44430  
Chapter 11 Case

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In re:

Bowles Sub Parcel D, LLC  
Debtors.

Case No. BKY 11-44434  
Chapter 11 Case

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**DEBTORS' DISCLOSURE STATEMENT IN SUPPORT  
OF FIRST AMENDED JOINT PLAN OF REORGANIZATION  
DATED MAY 7, 2012**

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THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M. CENTRAL TIME ON _____, 2012 UNLESS EXTENDED BY ORDER OF THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF MINNESOTA
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THIS DISCLOSURE STATEMENT, THE DEBTORS' JOINT PLAN OF REORGANIZATION DATED JANUARY 6, 2012, THE ACCOMPANYING BALLOTS, AND THE RELATED MATERIALS ARE BEING FURNISHED BY THE DEBTORS, PURSUANT TO SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE IN CONNECTION WITH THE SOLICITATION BY THE DEBTORS OF VOTES TO ACCEPT THE PLAN AS DESCRIBED IN THIS DISCLOSURE STATEMENT.

THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT, SOME OF WHICH MAY NOT BE SATISFIED. SEE SECTIONS 9.1 AND 9.2 OF THE PLAN. THERE IS NO ASSURANCE THAT THESE CONDITIONS WILL BE SATISFIED OR WAIVED.

HOLDERS OF CLAIMS AGAINST, AND HOLDERS OF EQUITY INTERESTS IN, THE DEBTORS ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THE MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AGAINST, AND HOLDERS OF INTERESTS IN, THE DEBTORS (INCLUDING, WITHOUT LIMITATION, THOSE HOLDERS OF CLAIMS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS DESCRIBED.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF ANY SECURITIES THAT MAY BE DEEMED TO HAVE BEEN ISSUED PURSUANT TO THE PLAN OR OF THIS DISCLOSURE STATEMENT, OR HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL SECURITIES AND IS NOT A SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY STATE WHERE SUCH OFFER OR SALE IS NOT PERMITTED.

TO THE EXTENT ANY TREATMENT UNDER THE PLAN IS DEEMED TO CONSTITUTE THE ISSUANCE OF A SECURITY, NONE OF SUCH SECURITIES WILL HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS, AND SUCH SECURITIES WILL BE ISSUED IN RELIANCE UPON EXEMPTIONS FROM THE SECURITIES ACT AND EQUIVALENT STATE LAWS OR SECTION 1145 OF THE BANKRUPTCY CODE.

THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT OR IN ANY EXHIBIT EXCEPT AS EXPRESSLY INDICATED IN THIS DISCLOSURE STATEMENT OR IN ANY EXHIBIT. THIS DISCLOSURE STATEMENT WAS COMPILED FROM INFORMATION OBTAINED BY THE DEBTORS FROM NUMEROUS SOURCES BELIEVED TO BE ACCURATE TO THE BEST OF THE DEBTORS' KNOWLEDGE, INFORMATION AND BELIEF.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION IS CORRECT AT ANY TIME SUBSEQUENT TO THIS DATE AND THE DEBTORS UNDERTAKE NO DUTY TO UPDATE THE INFORMATION.

THIS DISCLOSURE STATEMENT AND THE RELATED DOCUMENTS ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ACCEPTING OR REJECTING THE PLAN. NO REPRESENTATIONS ARE AUTHORIZED BY THE BANKRUPTCY COURT CONCERNING THE DEBTORS, THEIR BUSINESS OPERATIONS, THE VALUE OF THEIR ASSETS OR THE VALUES OF ANY INTERESTS DESCRIBED TO BE ISSUED OR BENEFITS OFFERED PURSUANT TO THE PLAN, EXCEPT AS EXPLICITLY SET FORTH IN THIS DISCLOSURE STATEMENT OR ANY OTHER DISCLOSURE STATEMENT OR OTHER DOCUMENT APPROVED FOR DISTRIBUTION BY THE BANKRUPTCY COURT. HOLDERS OF CLAIMS AND INTERESTS SHOULD NOT RELY UPON ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT.

FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND INTERESTS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN AND CERTAIN OF THE PLAN DOCUMENTS. IF THERE IS ANY INCONSISTENCY BETWEEN THE PLAN OR THE APPLICABLE PLAN DOCUMENTS AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN OR THE APPLICABLE PLAN DOCUMENTS ARE CONTROLLING. THE SUMMARIES OF THE PLAN AND THE PLAN DOCUMENTS IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, THE FULL TEXT OF THE PLAN AND THE APPLICABLE PLAN DOCUMENTS, INCLUDING THE DEFINITIONS OF TERMS CONTAINED IN THE PLAN AND OTHER PLAN DOCUMENTS. ALL HOLDERS OF CLAIMS AND HOLDERS OF INTERESTS ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN AND THE PLAN DOCUMENTS, AND TO READ CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSES OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, AND NOTHING STATED IN THIS DISCLOSURE STATEMENT SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PERSON, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PERSON, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTORS OR HOLDERS OF CLAIMS OR INTERESTS.

THIS DISCLOSURE STATEMENT CONTAINS STATEMENTS THAT ARE FORWARD-LOOKING. FORWARD-LOOKING STATEMENTS ARE STATEMENTS OF EXPECTATIONS, BELIEFS, PLAN, OBJECTIVES, ASSUMPTIONS, PROJECTIONS, AND FUTURE EVENTS OF PERFORMANCE. AMONG OTHER THINGS, THIS DISCLOSURE STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS WITH RESPECT TO ANTICIPATED FUTURE PERFORMANCE OF THE DEBTORS, DETERMINATION OF CLAIMS, AND DISTRIBUTIONS ON CLAIMS. THESE STATEMENT, ESTIMATES, AND PROJECTIONS MAY OR MAY NOT PROVE TO BE CORRECT. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE REFLECTED IN THESE FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS ARE SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE RISKS, INCLUDING, AMONG OTHERS, THOSE DESCRIBED IN THIS DISCLOSURE STATEMENT. THE DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENT. NEW FACTORS EMERGE FROM TIME TO TIME AND IT IS NOT POSSIBLE TO PREDICT ALL SUCH FACTORS, NOR CAN THE IMPACT OF ANY SUCH FACTORS BE ASSESSED.

HOLDERS OF CLAIMS AND INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS WITH RESPECT TO ANY SUCH MATTERS CONCERNING THIS DISCLOSURE STATEMENT, THE SOLICITATION OF VOTES TO ACCEPT THE PLAN, THE PLAN AND THE TRANSACTIONS DESCRIBED.

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I. INTRODUCTION.

The Debtors' Joint Plan of Reorganization, which is proposed by Fenton Sub Parcel D, LLC and Bowles Sub Parcel D, LLC, sets forth, among other things, the proposed treatment of claims and interests in accordance with the Bankruptcy Code.

This Disclosure Statement is intended to explain the Plan and provide adequate information to allow an informed judgment regarding the Plan. A copy of the Plan is included with this Disclosure Statement. If the Plan and this Disclosure Statement are not consistent, the terms of the Plan control.

A. Summary of the Plan.

The Plan anticipates that all property of the estate will be vested in the Reorganized Debtors. The Debtors will continue to operate the Pool D Properties, may market the Pool D Properties for sale either individually or in one or more groups, and may seek alternative financing. The secured claim of the Lender will be paid in full over time with the income generated by the operation of the Pool D Properties, by the proceeds of the sale(s) of one or more of the Pool D Properties, with the proceeds of new financing, or with a combination of these options. The Lender will retain its liens to secure such payments. Steven B. Hoyt's lien in the properties will be released. Unsecured creditors will receive up to 100% of their claims, without interest, from distributions from excess cash generated by postpetition operations and from the sale(s) or refinancing and operations after the Lender is paid in full. The Debtors project that the most likely range of recovery for unsecured creditors is between 0% and 85% of their claims, as explained more fully below. The actual amount to be paid depends on the results of operations and sales or refinancing.

B. Voting Procedures.

Ballots to be used for voting to accept or reject the Plan are enclosed with all copies of this Disclosure Statement mailed to all classes entitled to vote.

Please fill out, sign and mail the enclosed ballot to the following address:

Clerk of Bankruptcy Court  
301 U.S. Courthouse  
300 South Fourth Street  
Minneapolis, MN 55415

The deadline for delivery of ballots is \_\_\_\_\_, 2012.

**DEBTORS URGE CREDITORS AND INTEREST HOLDERS TO VOTE IN FAVOR OF THE PLAN. DEBTORS BELIEVE THAT THE PLAN OFFERS THE BEST POSSIBLE RECOVERY FOR CREDITORS. QUESTIONS CONCERNING THE PLAN SHOULD BE ADDRESSED IN WRITING OR BY TELEPHONE TO DEBTORS' COUNSEL.**

C. Brief Explanation of Chapter 11.

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Upon the filing of a petition for reorganization under Chapter 11, Section 362 of the Bankruptcy Code generally provides for an automatic stay of all attempts to collect claims or enforce liens that arose prior to the commencement of the bankruptcy case or that otherwise interfere with a debtor's property or business.

The principal objective of a Chapter 11 reorganization is the confirmation of a plan of reorganization or liquidation. The plan sets forth the means for satisfying the claims of creditors and interests of stockholders of the debtor. The plan and a disclosure statement that contains information necessary to allow creditors and shareholders to evaluate the plan are sent to creditors and shareholders whose claims or interests are impaired, who then vote to accept or reject the plan.

A class of claims is entitled to vote to accept or reject a plan if that class is "impaired" by the plan. A class of claims is impaired unless the plan cures any defaults that may exist with respect to the claims and leaves unaltered the legal, equitable, and contractual rights to which the claim entitles the holder of the claim.

A plan may be confirmed under Section 1129(a) of the Bankruptcy Code if each class of claims or interests is not impaired by the plan or if each such class has voted to accept the plan. Votes will be counted only with respect to claims: (1) that are listed on the Debtors' Schedules other than as disputed, contingent or unliquidated; or (2) for which a proof of claim was filed on or before the bar date set by the Court for the filing of proofs of claim. However, any vote by a holder of a claim will not be counted if such claim has been disallowed or is the subject of an unresolved objection, absent an order from the Court allowing such a claim for voting purposes. A class of claims has accepted a plan if creditors that hold at least two-thirds in amount and more than one-half in number of the allowed voting claims in the class have voted to accept the plan.

If an impaired class votes to reject the plan, the proponent of the plan can attempt to "cram down" the plan by confirming it under Section 1129(b) of the Bankruptcy Code. A plan proponent may cram down a plan upon a rejecting class only if another impaired class has voted to accept the plan, and the plan does not discriminate unfairly and is fair and equitable with respect to each impaired class that has not voted to accept the plan.

Voting on the plan by each holder of a claim in an impaired class is important. After carefully reviewing the Plan and Disclosure Statement, each holder of such a claim should vote on the enclosed ballot either to accept or reject the Plan. Any ballot that does not appropriately indicate acceptance or rejection of the Plan will not be counted. A ballot that is not received by the deadline will not be counted. If a ballot is lost, damaged, or missing, a replacement ballot may be obtained by sending a written request to the Debtors' attorney.

Section 1129(a) of the Bankruptcy Code establishes the conditions for the confirmation of a plan. These conditions are too numerous to be fully explained here. Parties are encouraged to seek independent legal counsel to answer any questions concerning the Chapter 11 process. Among the conditions for plan confirmation is that either each holder of a claim or interest must



accept the plan, or the plan must provide at least as much value as would be received upon liquidation under Chapter 7 of the Bankruptcy Code.

If the Plan is confirmed by the Court, its terms are binding on the Debtors, all creditors, stockholders and other parties in interest, regardless of whether they have accepted the Plan.

## II. DESCRIPTION OF THE DEBTORS' BUSINESS AND OPERATIONS.

### A. Nature and History of the Debtors' Business.

The Debtors are Delaware limited liability companies formed in April 2004. The Debtors jointly own the Pool D Properties, which consist of six parcels of real property located in Anoka, Dakota, and Hennepin Counties, Minnesota. Specifically, as tenants in common, Fenton Sub Parcel D, LLC has an undivided 74.5394% interest and Bowles Sub Parcel D, LLC has an undivided 25.4606% interest in the Pool D Properties. The Pool D Properties consist of office or warehouse space, and do not include any residential space. The Debtors rent space in the six buildings to a variety of business tenants. The Pool D Properties have a combined total of approximately 20 tenants, ranging from consulting firms to a candle-making company.

The Debtors' source of revenue is rents received from tenants. The Pool D Properties currently have an average occupancy rate of approximately 57% and the Debtors receive an average of approximately \$106,000 per month in revenue. Historical financial records are attached as Exhibit E.

Hoyt Properties, Inc. acts as the Debtors' agent in managing the Pool D Properties. Hoyt Properties, Inc. enters into contracts with vendors for the provision of services—such as sprinkler systems and window cleaning—to the Pool D Properties. All of the vendors or other creditors who supply goods or services to the Pool D Properties bill Hoyt Properties, Inc., which then pays the bills out of a checking account held by Hoyt Properties, Inc. for the benefit of the Debtors. Since November 2011, the Debtors have used the services of a leasing agent to assist with finding and securing tenants.

### B. Prepetition Debt Structure.

#### 1. First Mortgage Debt.

Nomura Credit and Capital, Inc. provided financing for the Debtors in the form of the First Mortgage Debt in the amount of \$11,604,000. The First Mortgage Debt is secured by a first priority mortgage on all of the Pool D Properties. The First Mortgage Debt is also secured by the Assignment of Leases. In addition, pursuant to a Cash Management Agreement dated April 12, 2004, portions of the Debtors' monthly debt service payments are placed into an escrow account for taxes and insurance, as well as certain reserve accounts. The escrow and reserve accounts are held by either the servicer or the special servicer of the First Mortgage Debt. The Lender's interests in the Mortgage, Assignment of Leases, and other assets of the Debtors appear to have been properly perfected. On or around August 20, 2004, the Note was endorsed and the Mortgage and Assignment of Leases were assigned to the Lender.



The Debtors were current with all payment obligations to Lender on the First Mortgage Debt through and including the month of March 2011, and made a partial payment in April 2011. No further payments have been made. As of the Petition Date, the principal balance of the Note, which matures on May 11, 2014, was \$10,236,629.

2. The Hoyt Loan Indebtedness.

Following the change in ownership structure (as described below), the Debtors have periodically required additional funds for various needs such as capital expenditures, tenant improvements, and leasing commissions. Mr. Hoyt, as an individual with indirect ownership of a portion of the Debtors, has loaned such needed funds to the Debtors in a total amount of \$1,319,712, which is secured by a second priority mortgage on all the Pool D Properties pursuant to a mortgage dated April 27, 2011. Mr. Hoyt appears to have perfected his mortgage. This lien may be avoidable under 11 U.S.C. § 547. In any event, the secured claim will be allowed in the amount of \$0 and the liens will be released, as explained below.

C. Ownership Structure.

Both Debtors are ultimately controlled by StoneArch II/WCSE Minneapolis Industrial LLC, which is the 100% member of Bowles Subsidiary, LLC and of Fenton Subsidiary, LLC. Bowles Subsidiary, LLC is then the 100% member of Bowles Sub Parcel D, LLC, and Fenton Subsidiary, LLC is the 100% member of Fenton Sub Parcel D, LLC. This ownership structure is illustrated on the chart attached as Exhibit B. Although they are two separate legal entities, the Debtors have consistently been treated as one enterprise.

The current ownership structure was put in place in 2007, when StoneArch II/WCSE Minneapolis Industrial LLC, through subsidiary entities, acquired the Debtors along with other entities, which in owned 27 industrial multi-tenant properties located in the Twin Cities. The properties are organized into four separate pools: A, B, C, and D. The Debtors own the Pool D Properties.

The 2007 purchase was structured utilizing: (i) the assumption of pre-existing mortgage debt; (ii) preferred equity provided by WCHYP II Lender LLC and Wrightwood Capital Strategic Equity Fund I LP, which together owned the preferred membership units in WCSE Minneapolis Industrial Investor LLC; and (iii) equity provided by a group of individual investors who are members of StoneArch II, LLC.

D. The Mulcahy Litigation.

The purpose of the 2007 purchase of the pool A, B, C, and D properties was to improve the quality and quantity of the rent roll for the properties, then to refinance or sell the properties at a profit. Within eight months, there were agreements in place for the sale of a variety of properties in different pools, with a loan to be provided by Associated Bank to fund the refinancing gap. However, due to its own internal issues, Associated Bank did not provide the loan and the closings on the purchase agreements could not occur. All of the purchase agreements in other pools were voluntarily terminated by the purchasers, but the party to the one

purchase agreement for pool D would not agree to terminate the agreement, leading to the Mulcahy litigation described below.

In August 2007, Debtors entered into the Cahill Purchase Agreement, pursuant to which they agreed to sell the Cahill Business Center to Tim Mulcahy. The purchase price in the Cahill Purchase Agreement was \$4,000,000. Pursuant to the Cahill Purchase Agreement, Mr. Mulcahy delivered \$50,000 (the “Earnest Money”) into an interest bearing escrow account.

As with the other Pool D Properties, the Cahill Business Center was encumbered with the Mortgage securing the First Mortgage Debt. The Mortgage provides that the Pool D Properties, in total, may be released from the Mortgage lien through a process known as “defeasance.” It does not provide for defeasance with respect to a single parcel. The Cahill Purchase Agreement required that the Debtors work diligently to pursue defeasance.

Due to the failure of the Associated Bank loan described above, the Debtors did not obtain defeasance, and the Cahill Purchase Agreement was not closed. Mr. Mulcahy refused to voluntarily terminate the Cahill Purchase Agreement, and initiated an action against the Debtors in Hennepin County District Court,<sup>1</sup> claiming: (i) fraud by misrepresentation, and (ii) a right to specific performance based on Debtors’ default under the Cahill Purchase Agreement. Mr. Mulcahy’s claim of fraud by misrepresentation was tried and submitted to a jury. On March 2, 2009, the jury rendered its verdict finding no fraud by misrepresentation on the part of the Debtors.

Mr. Mulcahy’s claim for specific performance was tried to the court. In its Findings of Fact, Conclusions of Law and Order dated June 18, 2009, the Hennepin County District Court held that Debtors had defaulted in performing their obligations under the Cahill Purchase Agreement, and ordered specific performance. In its Supplement to Findings of Fact, Conclusions of Law and Order for Judgment dated November 6, 2009, the court ordered to Debtors to convey to Mr. Mulcahy a limited warranty deed without exception for the mortgage for the Cahill Business Center. The court also ordered that the purchase price of \$4,000,000 was to be reduced by the \$50,000 earnest money deposit, as well as by an equitable money offset for certain amounts—for example, the amounts of rent received from tenants of the Cahill Business Center from after the scheduled January 14, 2008 closing date to the date of the actual closing.

Both Mr. Mulcahy and Debtors appealed a number of issues. On October 26, 2010, the Minnesota Court of Appeals affirmed the Hennepin County District Court.<sup>2</sup> In its Third Supplement to Findings of Fact, Conclusions of Law and Order for Amended Judgment dated April 28, 2011, the Hennepin County District Court ordered that the closing occur on or before May 13, 2011.

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<sup>1</sup> Hennepin County Court File No. 27-CV-08-598.

<sup>2</sup> Mulcahy v. Fenton Sub Parcel D, LLC, No. A10-23, 2010 WL 4181263 (Minn. Ct. App. Oct. 26, 2010).

The closing on the Cahill Purchase Agreement has not yet taken place due to complications arising from the fact that partial defeasance—release of the lien on less than all of the Pool D Properties—is not provided for under the Mortgage.

In their continuing efforts to close on the Cahill Purchase Agreement, Debtors have been negotiating with the Special Servicer regarding the defeasance matter. The Special Servicer is allowed to make extraordinary decisions, such as agreeing to partial defeasance. Debtors and the Special Servicer have not been able to reach an agreement. As a result, and because of defaults by the Debtors, the Special Servicer declared the acceleration of the debt and threatened foreclosure.

In addition, a hearing was scheduled for July 8, 2011 regarding the Debtors' failure to close on the Cahill Purchase Agreement.

E. Decision to File under Chapter 11.

The Debtors' bankruptcy filings on June 29, 2011 were necessitated by the acceleration of the debt and threatened foreclosure on the Pool D Properties and the inability of the Debtors to close on the Cahill Purchase Agreement.

F. The Debtors' Assets.

As described more fully Section III (Events During Chapter 11 Cases), the Bankruptcy Court found in connection with the Debtors' request to use cash collateral that the Pool D Properties had a value of \$10,550,000.

The Debtors also have certain other assets, including cash on hand, accounts receivable, causes of action, and a judgment against Charles White Inc. d/b/a Whitehall Companies (a former tenant) in the amount of \$717,152.62. These assets are itemized on Exhibit D in connection with a Liquidation Analysis of the Debtors. With respect to the judgment, the Debtors have determined that the tenant's lender properly foreclosed on its assets, the purchaser of the assets is not liable for the tenant's obligations, and the tenant has no remaining assets. The total value of the Debtors' assets is \$10,668,000 as of the petition date. The Debtors may also have a claim against Hoyt Properties, Inc. regarding the preparation and enforcement of the terms of the Cahill Purchase Agreement. As neither the amount nor viability of this claim are certain, no value has been assigned to it at this time.

III. EVENTS DURING CHAPTER 11 CASES.

A. Cash Collateral.

On June 30, 2011, the Debtors filed a Motion For Order Authorizing Use of Cash Collateral on a Final Basis. The Court granted the Debtors' motion in part by orders dated July 20, 2011 and September 19, 2011. The Court authorized the use of cash collateral for payment of real estate taxes, insurance, rental commissions, and tenant improvements. In connection with this, the Court found that the real property had a value of \$10,550,000 and the Lender Collateral had an aggregate value of \$10,668,000. The Debtors filed a motion for

continued use of cash collateral through March 31, 2012. The Secured Lender objected, but the parties resolved their differences and submitted an agreed-upon form of order, which was entered on January 4, 2012. The Debtors and the Secured Lender stipulated to the use of cash collateral through April 30, 2012 and are discussing the continued use of cash collateral past that date.

B. Motion to Sell the Cahill Business Center.

On October 27, 2011, the Debtors filed a Motion For Order Authorizing Debtors to Sell Property Free of Liens, Claims, Interests and Encumbrances. In the motion, the Debtors seek authority to close on the Cahill Purchase Agreement. The Secured Lender has indicated that it intends to object to the motion. The motion is pending and set for hearing on June 13, 2012.

C. Motion to Assume Contract.

On January 4, 2012, the Debtors filed a Motion to Assume the purchase agreement with Mr. Mulcahy. Mr. Mulcahy has indicated that he is not willing to close on the Cahill Purchase Agreement. In the motion, the Debtors seek to compel him to do so. The motion is pending and set for hearing on June 13, 2012.

In the event the motion is granted, the Debtors anticipate a proceeding in Bankruptcy Court, in Hennepin County District Court, or before a mediator to determine the amount of Mr. Mulcahy's equitable offset, which would effectively reduce the purchase price. If the sale cannot be consummated, the parties will likely dispute which party is entitled to \$50,000 of earnest money currently held in escrow.

D. Motion for Relief From Stay.

On November 8, 2011, the Lender brought a Motion For Relief From the Automatic Stay, in which it sought permission from the Bankruptcy Court to pursue its rights and remedies under applicable law. The Lender asserted that the Debtors do not have any equity in the property. The Debtors objected to the relief requested on the basis that (i) cause did not exist to grant the relief requested, and (ii) the Pool D Properties are necessary for a successful reorganization. After a hearing, the Bankruptcy Court denied the motion by Order dated December 2, 2011.

E. Extension of Exclusivity.

By orders dated November 9, 2011, and March 9, 2012, the Court extended the time in which the Debtors have the exclusive right to file a joint plan of reorganization to and including January 6, 2012, and the period in which the Debtors have the exclusive right to obtain acceptance of such plan to and including May 21, 2012.

F. Mediation.

On January 26, 2012, the Debtors participated in a three-way mediation with the Secured Lender and Mr. Mulcahy, which was mediated by the Honorable Dennis D. O'Brien. The mediation resulted in an agreement between the Debtors, the Lender, Steven Hoyt individually, and affiliates of the Debtors that own other pools of properties encumbered by mortgages in

favor of the Lender (the “Affiliates”). The Debtors sought approval of this settlement by Motion dated February 29, 2012. The settlement was never finalized, however, due to the parties’ disagreement over material terms, and the Debtors withdrew their Motion.

G. Other Matters.

Steven Hoyt, who is a guarantor of the debt of the Secured Lender and is the Chief Manager of each of the Debtors, is currently a debtor in a pending Chapter 11 case (Case No. 11-43816). For information regarding that case, please see documents filed in that case. It is possible that his creditors could obtain or otherwise exercise control over his indirect interests in the Debtors, which are assets of his estate, depending on the outcome of that case. If that were to happen, the new equity owners could replace current management (Mr. Hoyt), and may seek a different course of action, such as proposing a different plan of reorganization, or seeking to dismiss this case.

IV. LITIGATION.

A. Pending Litigation.

As described above, the Debtors are in the midst of litigation regarding the sale of the Cahill Business Center and related matters. Such litigation has been stayed during the Chapter 11 Cases, although aspects are proceeding as described above.

B. Claim Objections.

The Debtors may object to any scheduled or filed claims that are incorrect, but will compare filed claims to those scheduled and attempt to resolve any discrepancies before commencing the objection process. The deadline for objections to claims will be set by an order issued at the time of confirmation of the Plan.

C. Avoidance Actions and other Litigation.

Under section 547 of the Bankruptcy Code, certain transfers made by the Debtors to creditors within 90 days (or, in some cases, one year) of the Filing Date may be recovered as preferential payments. Section 548 of the Bankruptcy Code gives the Debtors power to avoid fraudulent transfers. Such claims, and all Avoidance Claims, are preserved by the Debtors under the Plan. The Causes of Action include, but are not limited to, those items identified on Exhibit B to the Plan. No person may rely on the absence of a specific reference in the Plan, the Disclosure Statement, or Exhibit B to the Plan to any Cause of Action as any indication that the Debtors will not pursue any and all available Causes of Action. The Debtors expressly reserve all Causes of Action for later adjudication and, therefore, no preclusion doctrine shall apply to a Cause of Action upon, after, or as a consequence of the Confirmation Order. All recoveries on any Causes of Action, including Avoidance Claims, shall be retained by Debtors for use in making payments under this Plan or for general working capital purposes, at Debtors’ option.

V. SUMMARY OF THE PLAN.

*The below summary is provided for the convenience of holders of Claims and Interests. If any inconsistency exists between the Plan and this Disclosure Statement, the terms of the Plan are controlling. The summary of the Plan in this Disclosure Statement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the full text of the Plan, including the definitions of terms contained in the Plan. All holders of Claims and Interests are encouraged to review the full text of the Plan, and to read carefully this entire Disclosure Statement, including all exhibits hereto.*

A. Overview

The purpose of the Plan is to restructure the Debtors’ debt obligations so that the Debtors are able to weather what they anticipate is a temporary downturn in the commercial real estate market and so that Debtors may create value by future leasing thereby increasing the occupancy rate and cash flow. The Debtors believe that creditors and interest holders will realize a more favorable distribution of value than would occur under any liquidation.

B. Overview of Classification and Treatment of Claims and Interests

Following the requirements of the Bankruptcy Code, all Claims and Interests are placed in categories. Most are placed into separate classes, others are unclassified. These categories are described in detail in the Plan and later in this paragraph.

The Plan proposes certain different “treatment” for all the claims or interests in the unclassified categories and the classes. Following is a chart of the estimated amounts in each unclassified category and class along with the proposed treatment for each.

<b>Class No.</b>	<b>Description of the Class</b>	<b>Estimated Amount</b>	<b>Proposed Treatment</b>
N/A	Administrative Expenses	\$427,000	Payment in full on the Effective Date, as due, or as otherwise agreed
N/A	Statutory Fees and Court Costs	N/A	Payment in full on the Effective Date or as due
1-A	Secured Claim – Lender	\$10,668,000	Retention of lien and payment over time
1-B	Secured Claim – Steven B. Hoyt	\$0	Allowance of class 2-A claim
2-A	General Unsecured Claims	\$2,376,864	Pro-rata share of Excess Cash Fund
3-A	Equity Interests	N/A	Retention of membership interests

The holders of Claims or Interests that are classified and are “impaired” are entitled to vote on the Plan. The classes that are entitled to vote under the Plan are:



- 1-A Secured Claim – Lender
- 1-B Secured Claim – Steven B. Hoyt
- 2-A General Unsecured Claims

C. Detailed Description of Classes and Treatment

Following is a description of the classes and the treatment. This section is taken from the Plan. In case of inconsistency, the Plan controls. This section may have some additional information about the classes.

1. Allowed Administrative Expense Claims

Claims specified in Code § 507(a)(2), except as otherwise provided in this Article, including fees of professionals, will be paid in full in cash on the Effective Date, or later as approved by the Court, or as agreed among the parties.

In lieu of payment in full in cash on the Effective Date, the allowed administrative expense claim of Fredrikson & Byron, P.A. will accrue interest at 8%, which rate was agreed to in the applicable retention agreement, commencing as of the Effective Date, and will be paid from operations as described in Section 4.2 of the Plan and on the cash flow projections attached as Exhibit C to the Plan, from the sale of properties as described in Section 4.3 to the Plan, or other such treatment as is agreed by Fredrikson & Byron, P.A.

In addition, System Design Advantage, LLC, a former tenant, may be entitled to an administrative expense claim in the amount of \$9,000 for the return of a security deposit during the pendency of the case.

Debtors estimate that allowed administrative expense claims will not exceed \$427,000.

2. Statutory Fees and Court Costs

Court costs and fees payable by Debtors under 28 U.S.C. § 1930 will be paid in full in cash on the Effective Date. After confirmation, the Debtors will continue to pay quarterly fees to the Office of the United States Trustee and to file quarterly reports with the Office of the United States Trustee until this case is closed by the Court, dismissed or converted. This requirement is subject to any amendments to 28 U.S.C. § 1930(a)(6) that Congress makes retroactively applicable to confirmed Chapter 11 cases.

3. Class 1-A – Secured Lender

This class consists of the allowed secured claim of the Secured Lender in the maximum amount of \$10,668,000. The basis of the Secured Lender's claim is a term loan with an outstanding balance of \$10,341,107 as of the Filing Date, and such post-petition fees, costs, and charges as allowed under the Bankruptcy Code up to a total of \$10,668,000. The Secured Lender has indicated that it will object to the amount of its secured claim and to the terms described below. If the Court agrees with the Secured Lender's objection, it is possible that the Plan may not be confirmable.



Notwithstanding this potential objection, the Plan provides that the holder of the Class 1-A claim will receive the following treatment:

a. Payments of Principal and Interest

Debtors shall pay to the Secured Lender the full amount of its allowed secured claim. Interest shall accrue at the rate of 5.04%.

Beginning on the last day of the calendar year quarter which falls after least 30 days after the Effective Date, and continuing for the first year after the Effective Date, the Debtors shall make a quarterly payment equal to the actual excess cash available from operations, after allowing for a cumulative cash cushion as specified on the cash flow projections attached as Exhibit C. To the extent net cash flow exceeds the cash flow projections attached as Exhibit C, such amount shall be paid to the Secured Lender at the end of the first year after the Effective Date and applied to accrued but unpaid interest. Accrued but unpaid interest, if any, shall be capitalized at the end of the first year after the Effective Date.

Beginning on the first anniversary of the Effective Date, the Debtors shall make monthly payments in an amount based upon an amortization schedule of thirty (30) years. In the event partial prepayments of principal are made, the monthly installment of interest and principal shall be recomputed based upon a rate of 5.04%, the outstanding principal balance remaining after the prepayment, and an amortization schedule of thirty (30) years.

The maturity date shall be May 11, 2014, at which time the entire outstanding principal balance, with all accrued but unpaid interest, shall be due and payable. The term may be extended at the Debtors' option for up to two additional one-year periods upon 30 days' notice.

b. Treatment of Liens

To secure payment and performance of the Debtors' obligations hereunder, the Secured Lender shall retain its liens and security interests in the Lender's Collateral.

c. Sale of Properties

At any time, the Debtors may obtain the release of the Mortgage as to a particular parcel upon the sale of such parcel or refinancing for an amount equal to or in excess of the parcel's "Allocated Amount" as set forth on the chart below plus sales commissions and closing costs. In such event, the Secured Lender shall execute and deliver any documents or instruments requested by the Debtors to discharge and release the Mortgage with respect to such parcel. The Secured Lender's lien shall attach to the proceeds of such sale or refinance, subject to the application of such proceeds: First to reasonable sales commissions and closing costs; second to outstanding principal in the amount of the applicable Allocated Amount; third to any accrued but unpaid interest; fourth to any remaining unpaid principal; fifth to any unpaid administrative expense claims; and sixth to the Excess Cash Fund. In any event, upon payment in full of the full amount of the allowed secured claim plus accrued interest (or the placement of such amount into escrow), all liens shall be released.

<b>Parcel</b>	<b>Allocated Amount</b>
Bass Lake Business Center	\$1,300,000
Cahill Business Center	\$2,200,000
Larc Industrial Park III	\$1,100,000
Larc Industrial Park VII	\$1,450,000
Penn Corporate	\$1,750,000
University Center I & II	\$2,750,000

d. Prepayment

The outstanding principal and interest balance may be paid, at any time, in whole or in part, without prepayment penalty or defeasance cost.

e. Modification of loan documents

The Debtors shall be under no obligation to fund reserve or escrow accounts. Events of default shall be limited to failure of the Debtors to make a payment or take other actions as provided under the Plan. Upon an event of default, the Secured Lender may, upon ten (10) days written notice to the Debtors, accelerate the unpaid balance of the claim payable under the Plan and exercise its remedies under the loan documents without further notice.

Except as otherwise modified herein, or as reflected in additional exhibits to the Plan filed with the Court, the remaining terms of the original underlying loan documents shall remain in effect. To the extent the terms of the Plan are inconsistent with the Secured Lender's prepetition loan documents, the terms of the Plan shall control.

4. Class 1-B – Steven B. Hoyt

This class consists of the secured claim of Steven B. Hoyt. The basis for the claim is a loan secured by a second position mortgage on the Pool D Properties in the amount of \$1,319,712. On the Effective Date, the liens shall be released and discharged with no further action required by the Debtors. Mr. Hoyt shall receive an allowed Class 2-A claim in the amount of \$1,319,712.

5. Class 2-A – General Unsecured Claims

This class consists of all allowed unsecured claims against the Debtors that are not entitled to priority and are not classified elsewhere in this Plan. Debtors estimate that allowed claims in this class total approximately \$2,376,864 (which amount includes the amount from Class 1-B). This amount is less than the total unsecured claims listed on the Debtors' Schedule F due to a determination that a \$2,247,076 claim of Steven Hoyt was incorrect. Mr. Hoyt does not

object to the exclusion of such claim from treatment in the Plan. The Debtors will either object to this claim or amend the schedules to remove it from Schedule F. Depending on the timing of the sale of the Pool D Properties, the Debtors project that holders of allowed claims will receive between 0% and 92% of their allowed claims with no interest, by receiving their pro rata share of four annual distributions from the Excess Cash Fund. If sale proceeds are as high as estimated on the projections attached to Exhibit C to the Plan, and if the Pool D Properties are sold at the maturity of the Class 1-A claim in 2014, the Debtors project that holders of allowed claims will receive a \$0 distribution in 2013, a distribution equal to approximately 47% of their claims in 2014, and \$0 distributions in 2015 and 2016; if the Debtors elect a one-year extension, the Debtors project that holders of allowed claims will receive a \$0 distribution in 2013 and 2014, a distribution equal to approximately 74% of their claims in 2015, and a \$0 distribution in 2016; and if the Debtors elect a second one-year extension, the Debtors project that holders of allowed claims will receive a \$0 distribution in 2013, 2014, and 2015, and a distribution equal to approximately 85% of their claims in 2016. However, if the Class 1-A claim is refinanced and the Debtors retain rather than sell the Pool D Properties, distributions to holders of allowed claims may be as low as 0% if the Debtors do not generate sufficient income for distributions to be made from the Excess Cash Fund. No projections are attached regarding this scenario because the Debtors intend to sell the Pool D Properties.

6. Class 3-A – Equity Interests

On the Effective Date, interests holders will retain their equity interests in the Debtors.

D. Executory Contracts and Unexpired Leases

The Plan includes a list of executory contracts and leases that will be assumed on the Confirmation Date with proposed cure amounts. Unless an objection is filed prior to entry of the Confirmation Order, then such amount shown on Exhibit A to the Plan as “cure” is conclusively determined to be the amount required to cure any monetary or non-monetary default under any assumed executory contract or lease. All executory contracts and leases previously assumed by the Debtors by prior Court order are assumed in the Plan. If an executory contract and/or lease is not shown on Exhibit A to the Plan, and has not been previously dealt with by prior Court order, such contract or lease will be deemed rejected effective on the Confirmation Date. All parties to any executory contracts and leases rejected pursuant to this provision **must file a proof of claim within 30 days** of the Confirmation Order or such other period set forth in the Confirmation Order if such Order sets a deadline for filing a proof of claim, or be forever barred from receiving any distribution under this Plan. Debtors reserve the right to alter, amend or add to the list of executory contracts and unexpired leases at any time prior to the Confirmation Date.

E. Claims Belonging to the Estate

On the Effective Date, Debtors shall be vested with, shall retain and may, at their option, contest any claim or interest belonging to the estate, including all Causes of Action, to the extent not expressly released under this Plan or by any Final Order of the Bankruptcy Court. The Causes of Action include, but are not limited to, those items identified on Exhibit B to the Plan. No person may rely on the absence of a specific reference in the Plan, the Disclosure Statement, or Exhibit B to the Plan to any Cause of Action as any indication that the Debtors will not pursue any and all

available Causes of Action. The Debtors expressly reserve all Causes of Action for later adjudication and, therefore, no preclusion doctrine shall apply to a Cause of Action upon, after, or as a consequence of the Confirmation Order. All recoveries on any Causes of Action, including Avoidance Claims, shall be retained by Debtors for use in making payments under this Plan or for general working capital purposes, at Debtors' option.

F. Distributions and Claims Administration

(i) Method and Timeliness of Distributions. Distributions under this Plan will be made by check and mailed to the holder of the claim at the address listed on its proof of claim as of the date the order confirming the Plan is entered by the Court. This date is the "Record Date." Payment under the Plan will be mailed to the address of the holder of the claim as of the Record Date. If the holder of the claim after the Record Date wishes to have future distributions sent to a different address, it must notify the Debtors in writing of a different address. If no proof of claim has been filed by a particular creditor by the date of the hearing on confirmation, distribution will be mailed to the address listed on the Schedules as of the Record Date. Holders of claims may contact Debtors with changes of address or questions at:

Fenton Sub Parcel D, LLC  
Bowles Sub Parcel D, LLC  
275 Market St. Ste 439  
Minneapolis, MN 55405

(ii) Timing of Distributions From the Excess Cash Fund to Holders of Class 2-A Claims

On the anniversary of the Effective Date, and annually on such date for an additional three (3) years, the holders of Class 2-A claims shall receive distributions from the Excess Cash Fund to the extent (i) the Class 1-A claim and the administrative expense claims are paid in full and (ii) the Excess Cash Fund exceeds \$200,000 on the date of distribution, unless the Reorganized Debtors have sold all of the Pool D Properties, in which case all remaining funds in the Excess Cash Fund shall be distributed, up to the amount of the Class 2-A claims.

(iii) Claim Objections and Administration.

Unless a claim is specifically allowed under the Plan, or has been otherwise allowed by the Court, the Debtors reserve the right to make any objections to claims and motions or requests for the payment of claims of any kind. Unless extended by the Bankruptcy Court, any objections to claims other than administrative expense claims will be filed within thirty (30) days after the Effective Date. A claim to which an objection has been made is a "Contested Claim."

No payments or distributions will be made with respect to a Contested Claim until all objections to the Contested Claim have been settled or withdrawn or determined by the Court. The Debtors may request estimation or limitation of any Contested Claim to the extent authorized by the Bankruptcy Code, and the estimate may become the allowed amount of the claim or the maximum limit on the claim.

If a Debtor has a claim, including an Avoidance Claim, or right to setoff against the holder of a claim against the estate, no payment or distribution will be made on the holder's claim until the Debtor's claim or the Avoidance Claim has been settled or withdrawn or has been determined by the Court. Failure to set off or hold payment of a distribution will not waive or otherwise compromise a Debtor's ability or right to make the claim or setoff later.

If a distribution is returned to the Debtors unclaimed, with no indication of the payee's forwarding address, Debtors will hold the distribution for six months from the date of return. If not claimed by the payee by the end of that period, the distribution will become property of the Debtors. Distribution checks will be null and void if not negotiated within 180 days after the date of issuance. The Plan sets deadlines and procedures for requesting re-issuance of a distribution check.

If proof of a claim is required under Bankruptcy Rule 3003 and is not timely filed according to the provisions of the Bankruptcy Code or applicable Court order, the holder of the claim will not be treated as a creditor for purposes of distribution under the Plan and will receive no distribution under the Plan on account of the claim.

#### G. Effect of Confirmation

1. Discharge. The confirmation of the Plan will discharge each of the Debtors of all claims against them except to the extent that the Claims are preserved by the Plan. The Debtors seek to have the full benefit of Section 1141 of the Bankruptcy Code. The language of the Plan is as follows:

Except as otherwise provided in this Plan, confirmation of this Plan discharges, waives and releases the Debtors from any debt that arose before the Confirmation Date and any debt of a kind specified in Sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, regardless of whether or not proof of the claim based on such debt was filed or deemed filed under Section 501 of the Bankruptcy Code, such Claim is allowed under Section 502 of the Bankruptcy Code, or the holder of such claim has accepted the Plan. The payments of, distributions on account of, or treatments of claims in this Plan are deemed to satisfy in full all claims. Except as provided in Article V, all property of Debtors and the estate vests in the Reorganized Debtors on the Effective Date. All property of Debtors and the estate is dealt with by this Plan; therefore, on the Effective Date, all property of the Debtors and the estate vests in the Debtors and such property is free and clear of all liens, encumbrances, claims and interests of creditors and equity security holders, including any notices of *lis pendens*, except to the extent the Plan explicitly provides that such liens, encumbrances, claims or interests are retained.

2. Discharge Injunction. The Plan also gives to the Debtors an injunction to enforce the discharge. The Debtors seek the full protections of Section 524 of the Bankruptcy Code. The language of the Plan is as follows:

Except as provided in this Plan, as of the Effective Date and subject to its occurrence, all persons that have held, currently hold or may have asserted a claim, a Cause of Action or other debt, liability, interest or other right of a holder of an equity interest that is discharged, released or terminated pursuant to the Plan, are hereby

permanently enjoined from commencing or continuing against the Debtors, in any manner or in any place, any action or other proceeding, enforcing, collecting or recovering in any manner any judgment, award, decree or order, creating, perfecting or enforcing any lien or encumbrance, asserting a set-off, right or subrogation or recoupment of any kind against any debt, liability or obligation. Nothing contained in this Paragraph is intended to release, discharge or enjoin any claims against any party other than the Debtors.

3. Exoneration. The Plan will provide exoneration of the Debtors and others working on the Plan process, other than for willful misconduct and permit them to reasonably rely on the opinions of experts and professionals. The language of the Plan is as follows:

Each and every entity voting to accept this Plan on account of its Allowed Claim or Interest shall be deemed to forever release and waive all claims, demands, debts, rights, causes of action and liabilities in connection with or related to any of the Debtors, the Chapter 11 Cases or this Plan, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, that are based in whole or in part on any act, omission or other occurrence taking place on or prior to the Effective Date, against the Released Parties to the fullest extent permitted under applicable law. Notwithstanding anything in this Plan or in the releases set forth above to the contrary, nothing herein shall be construed to release, and the Debtors do not hereby release, any rights of the Debtors: (a) to enforce this Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered thereunder; (b) to litigate claims objections, including without limitation to make any claim, or demand or allege and prosecute any cause of action against any Holder of any claim that has not been allowed by the terms of this Plan or Order of the Bankruptcy Court; and (c) to litigate claims and causes of action not specifically released herein, including claims and Causes of Action contained in any adversary complaint filed during the pendency of the Chapter 11 Cases that have not been withdrawn or dismissed prior to the Confirmation Date.

#### H. Means of Execution.

##### 1. Vesting of Property in the Debtors.

On the Effective Date, all of the property of the estate shall vest in the Reorganized Debtors.

##### 2. Ongoing Operations.

The Reorganized Debtors shall continue in business on and after the Effective Date. Cash flow generated from the Reorganized Debtors' ongoing operations shall be used for general working capital purposes and to make distributions under the Plan.

##### 3. Sale of Properties or Refinancing



The Reorganized Debtors may, at their discretion, sell some or all of the parcels comprising the Pool D Properties or refinance the Class 1-A claim. Proceeds from such a sale or refinancing shall be applied as specified in Section 3.2.1(d). In the event of refinancing, payments to the new secured lender will have priority over payments to Holders of Class 2-A claims.

4. Treatment of Proceeds of Litigation

To the extent the Secured Lender has a security interest in proceeds of any Causes of Action, one half of such proceeds shall be applied to principal and one half of such proceeds shall be used for leasing commissions, tenant improvements, or otherwise for the benefit of the Secured Lender's collateral.

5. Management of the Reorganized Debtors.

On the Effective Date, the Chief Manager of Fenton Sub Parcel D, LLC shall continue to be Steven B. Hoyt. On the Effective Date, the Chief Manager of Bowles Sub Parcel D, LLC shall continue to be Steven B. Hoyt. Mr. Hoyt shall receive no salary for serving in these positions. The Debtors intend to hire Hoyt Properties, Inc. to manage the properties on substantially the same terms as governed by the parties' prepetition contract, including a monthly management fee equal to 5% of gross rent actually collected, plus a leasing commission (which is currently passed on to a leasing agent pursuant to a sub-contract).

6. Corporate Action

On the Effective Date, the matters under this Plan involving or requiring action of the Debtors, including, but not limited to, execution of all documentation incident to this Plan, will be deemed to have been authorized by the confirmation order and to have occurred and be in effect from and after the Effective Date without any further action by the Bankruptcy Court or the governors, managers, or members of the Debtors.

VI. PROOFS OF CLAIM AND ADMINISTRATIVE CLAIMS.

The deadline for non-governmental entities to file proofs of claim in these cases was November 7, 2011. The deadline for governmental entities was December 27, 2011. The procedures of distribution on claims and for objections to claims is set out in Article V(F) above. Local Bankruptcy Rules govern the method of filing administrative expense claims and the Court's order approving the Plan will set a bar date for filing such claims.

VII. TAX CONSEQUENCES OF THE PLAN.

The following discussion summarizes certain federal income tax consequences of the Plan to the Debtors, and to holders of general unsecured claims and interests. This summary does not address the federal income tax consequences to holders of allowed administrative expense claims, priority claims, or secured claims. This summary does not address foreign, state or local income tax consequences, or any estate or gift tax consequences of the Plan, nor does it address the federal income tax consequences of the Plan to special classes of taxpayers.



Accordingly, this summary should not be relied upon for purposes of determining the specific tax consequences of the Plan with respect to a particular holder of a claim or interest.

THE TAX CONSEQUENCES TO HOLDERS OF CLAIMS OR INTERESTS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH SUCH HOLDER. THIS SUMMARY DOES NOT CONSTITUTE TAX ADVICE OR A TAX OPINION CONCERNING THE MATTERS DESCRIBED. THERE CAN BE NO ASSURANCE THAT THE INTERNAL REVENUE SERVICE WILL NOT CHALLENGE ANY OR ALL OF THE TAX CONSEQUENCES DESCRIBED HEREIN, OR THAT SUCH A CHALLENGE, IF ASSERTED, WOULD NOT BE SUSTAINED. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS, HER OR ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN OR OTHER TAX CONSEQUENCES OF THE PLAN.

A. Federal Income Tax Consequences to the Debtors.

The Debtors anticipate that confirmation of the Plan will have no federal income tax consequences for the Debtors or the reorganized Debtors.

Each of the Debtors, for tax purposes only, is disregarded as an entity separate from its owner since neither Debtor has made an election to be taxed as an association under Treasury Regulation Section 301.7701-3. This is also the situation for Fenton Subsidiary, LLC and Bowles Subsidiary, LLC the parent entities of the Debtors. Consequently, any tax consequences of the Plan will initially occur in the first regarded entity in the ownership structure. This will be Stone Arch II/WCSE Minneapolis Industrial LLC, the parent of both Fenton Subsidiary, LLC and Bowles Subsidiary, LLC. Stone Arch II/WCSE Minneapolis Industrial LLC is treated as a partnership for federal income tax purposes.

Section 61(a)(12) of the IRS Code provides generally that income from the discharge of indebtedness is includable as an item of gross income. In general, some event must occur to determine whether a debt has been discharged or cancelled. For example, an event can include a creditor accepting an amount less than full payment as a total satisfaction of a debt, a creditor may determine based on facts and circumstances that it is unlikely that an obligation will be repaid, or a debtor may acquire its own debt. Due to the factual nature of whether an event causing a discharge of indebtedness has occurred, the timing of the recognition of income from the discharge of indebtedness can be a subject of dispute with the Internal Revenue Service.

Not all instances of a cancellation of indebtedness will result in taxable income to the debtor. For example, IRS Code Section 108(e)(2) provides that no income is realized from the discharge of debt to the extent that payment of the liability would have given rise to a deduction. IRS Code Section 108(e)(2) would be applicable where a cash basis taxpayer who had not previously accrued and deducted interest on a debt had the unpaid interest cancelled by the creditor. Under those circumstances, there would be no discharge of indebtedness income presuming the interest was otherwise deductible by the taxpayer.

IRS Code Section 108(a)(1) provides several exceptions to the application of IRS Code Section 61(a)(12). For example, IRS Code Section 108(a)(1)(A) provides an exception to IRS

Code Section 61(a)(12) by excluding from gross income the discharge of indebtedness income of a taxpayer if the discharge occurs in a title 11 case. IRS Code Section 108(d)(6) provides that in applying the exceptions under IRS Code Section 108(a)(1) to a partnership, these exceptions are applied at the partner level and not the partnership level. As noted above, Stone Arch II/WCSE Minneapolis Industrial LLC will be the entity to which IRS Code Section 108(d)(6) applies. Unless one of the exceptions described in IRS Code Section 108(a)(1) applies, income from any discharge of indebtedness arising from the confirmation of the Plan will be passed through to the members of Stone Arch II/WCSE Minneapolis Industrial LLC.

Gross income also includes any gain from the sale or exchange of property owned by the Debtors. For tax purposes, a foreclosure transaction (whether voluntary or involuntary where a deed in lieu of foreclosure is given) essentially represents a sale or exchange of property in satisfaction of a debt. The Treasury Regulations generally treat the transfer of property in satisfaction of a debt as two separate transactions. These two transactions are:

- a. The debtor recognizes gain (or loss) equal to the difference between the fair market value of the property being transferred and the debtor's basis in the property; and
- b. The debtor recognizes forgiveness of indebtedness income to the extent that the amount of the debt forgiven exceeds the fair market value of the property.

Thus, a debtor can incur either a gain or a loss on the transfer of the property based on the fair market value of the property transferred. Any gains or losses of the Debtors will flow through to the members of Stone Arch II/WCSE Minneapolis Industrial LLC. Any gains recognized may be offset against unused losses of the members, subject to applicable limitations under the IRS Code. If a sale were to occur immediately, it is anticipated that there would be a loss on the transaction.

The tax consequences to the members of Stone Arch II/WCSE Minneapolis Industrial LLC and the ultimate owners of interests in such members will differ and will depend on factors specific to such owners including, but not limited to (i) whether the owner can claim the benefit of the exceptions from the discharge of indebtedness income described in IRS Code Section 108(a)(1), (ii) whether the owner has unused passive losses or similar losses, (iii) whether the owner is a United States person or a foreign person for tax purposes, and (iv) whether the owner reports income on the accrual or cash basis method.

THERE ARE MANY FACTORS THAT WILL DETERMINE THE TAX CONSEQUENCES TO EACH OWNER. THEREFORE, IT IS IMPORTANT THAT EACH OWNER, DIRECTLY OR INDIRECTLY, IN STONE ARCH II/WCSE MINNEAPOLIS INDUSTRIAL LLC OBTAIN HIS, HER OR ITS OWN PROFESSIONAL TAX ADVICE REGARDING THE TAX CONSEQUENCES TO SUCH OWNER AS A RESULT OF THE PLAN.

B. Federal Income Tax Consequences to Holders of General Unsecured Claims.

In accordance with the Plan, holders of general unsecured claims will receive a distribution on such claims. Any holder of a general unsecured claim will realize a loss in an amount equal to such claim, minus any recovery, on an adjusted tax basis.

The tax consequences to holders of general unsecured claims will differ and will depend on factors specific to such holder, including but not limited to: (i) whether the claim, or a portion thereof, constitutes a claim for interest or principal, (ii) the origin of the claim, (iii) the type of consideration received in exchange for the claim, (iv) whether the holder is a United States person or a foreign person for tax purposes, (v) whether the holder reports income on the accrual or cash basis method, and (vi) whether the holder has taken a bad debt deduction or otherwise recognized a loss with respect to the claim.

THERE ARE MANY FACTORS THAT WILL DETERMINE THE TAX CONSEQUENCE TO EACH HOLDER OF A GENERAL UNSECURED CLAIM. FURTHERMORE, THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX, AND IN SOME CASES, UNCERTAIN. THEREFORE, IT IS IMPORTANT THAT EACH HOLDER OF A GENERAL UNSECURED CLAIM OBTAIN HIS, HER OR ITS OWN PROFESSIONAL TAX ADVICE REGARDING THE TAX CONSEQUENCES TO SUCH HOLDER OF A GENERAL UNSECURED CLAIM AS A RESULT OF THE PLAN.

C. Federal Income Tax Treatment of Interests.

In accordance with the Plan, holders of interests will retain such interests. As noted in the discussion concerning the Federal Income Tax Consequences to the Debtors, the Debtors are treated, for tax purposes only, as disregarded entities. This means that the equity interests in the Debtors will be disregarded for tax purposes. Consequently, the retention of such equity interests should not result in any federal income tax consequences to the holders of such interests.

THERE ARE MANY FACTORS THAT WILL DETERMINE THE TAX CONSEQUENCE TO EACH HOLDER OF AN INTEREST. FURTHERMORE, THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX, AND IN SOME CASES, UNCERTAIN. THEREFORE, IT IS IMPORTANT THAT EACH HOLDER OF AN INTEREST OBTAIN HIS, HER OR ITS OWN PROFESSIONAL TAX ADVICE REGARDING THE TAX CONSEQUENCES TO SUCH HOLDER OF AN INTEREST AS A RESULT OF THE PLAN.

D. Withholding and Reporting.

Payments of interest, dividends, and certain other payments are generally subject to backup withholding at the rate of 28% unless the payee furnishes his, her or its correct taxpayer identification number to the payor. The Debtors may be required to withhold the applicable percentage of any payments made to a holder who does not provide its taxpayer identification number. Backup withholding is not an additional tax, but an advance payment that may be refunded to the extent it results in an overpayment of tax.

THE FOREGOING IS INTENDED TO BE ONLY A SUMMARY OF CERTAIN FEDERAL INCOME TAX CIRCUMSTANCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE AND LOCAL INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH CONSEQUENCES MAY ALSO VARY BASED ON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS, HER OR ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, AND LOCAL INCOME AND OTHER TAX CONSEQUENCES UNDER THE PLAN.

#### VIII. ALTERNATIVES TO THE PLAN.

The overall recovery to unsecured creditors under the Plan is estimated at 0% to 85%, depending on the ultimate sale prices of the Sub Parcel D Properties. In the event the Plan is not confirmed, which is possible given the stated intention of the Secured Lender to object to its treatment, the Debtors (or another party) could propose a different plan, the case could be converted to Chapter 7, the Secured Lender could obtain relief from the automatic stay, or the case could be dismissed.

If this case were converted to a liquidation under Chapter 7 of the Bankruptcy Code, the Debtors would immediately cease operations. Under the Plan, administrative and priority claims will be paid. If the case is converted to Chapter 7, there would be no funds available for payment of such claims. In the event of conversion of the case unsecured, non-priority creditors will recover nothing. Attached as Exhibit D is an analysis of expected recoveries to creditors under a hypothetical chapter 7 liquidation of the Debtors. That analysis demonstrates that, on balance, and considering the interests of all creditors, parties are better off under the Plan of Reorganization than under a conversion of the case to chapter 7.

In the event this case is dismissed, or the Secured Lender is granted relief from the automatic stay, the Debtors believe that the Secured Lender would exercise its state law remedies by seeking the appointment of a receiver and foreclosing. The Debtors believe that such a result would result in no distribution to unsecured creditors.

#### IX. ACCEPTANCE AND CONFIRMATION OF THE PLAN.

##### A. General Confirmation Requirements.

Bankruptcy Code section 1129(a) contains several requirements for confirmation of a plan. Among these requirements are that a plan be proposed in good faith, that certain information be disclosed regarding payments made or promised to be made to insiders, and that the plan comply with the applicable provisions of Chapter 11. The Debtors believe that it has complied with these requirements, including those requirements discussed below.

##### B. Best Interests Test.

The “best interests of creditors” test requires that the Bankruptcy Court find either that all members of each impaired class have accepted the plan or that each holder of an allowed claim

or interest of each impaired class of claims or interest will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on such date.

To calculate what holders of Claims would receive if the Debtors were hypothetically liquidated under Chapter 7 of the Bankruptcy Code, the Court must first determine the dollar amount that would be realized from the liquidation (the "Chapter 7 Liquidation Fund") of the Debtors. The Chapter 7 Liquidation Funds would consist of the net proceeds from the disposition of the Debtors' assets (after satisfaction of all valid liens) augmented by the cash held by the Debtors and recoveries on actions against third parties, if any. The Chapter 7 Liquidation Funds would then be reduced by the costs of the liquidation. The costs of the liquidation under Chapter 7 would include the fees and expenses of a trustee, as well as those of counsel and other professionals that might be retained by the trustee, selling expenses, and unpaid expenses incurred by the Debtors during their Chapter 11 cases (such as fees for attorneys, financial advisors and accountants) which would be allowed in Chapter 7 proceedings, interest expense on secured debt and claims incurred by the Debtors during the pendency of the case. These claims would be paid in full out of the Chapter 7 Liquidation Funds before the balance of the Chapter 7 Liquidation Funds, if any, would be made available to holders of unsecured Claims. In addition, other claims which would arise upon conversion to a Chapter 7 case would dilute the balance of the Chapter 7 Liquidation Funds available to holders of claims. Moreover, additional claims against the Debtors' estate might arise as the result of the establishment of a new bar date for the filing of claims in Chapter 7 cases. The present value of the distributions out of the Chapter 7 Liquidation Funds (after deduction the amounts described above) are then compared with the present value of the property offered to each of the classes of claims and holders of interests under the Plan to determine if the Plan is in the best interests of each holder of a claim.

The Debtors believe that the Plan as proposed is in the best interest of all creditors. If impaired creditors do not accept the Plan and the Debtors were forced to liquidate their remaining assets in Chapter 7, no funds would be available to pay general unsecured claims. The Lender holds properly perfected security interests in almost all of the Debtors' assets. Although the Debtors believe the Pool D Properties have a greater value as a going concern, the Lender is likely owed more than a forced liquidation of the Pool D Properties would yield.

Under the Plan, the Debtors project that holders of secured claims will receive either payment of the full amount of their claims or a negotiated payment. Holders of unsecured claims will likely receive some distribution on account of their claims. The Plan maximizes the value of the Debtors' Assets. In addition, it reduces the potential costs and delays associated with a Chapter 7 liquidation, such as: (a) the substantial time which would elapse before creditors would receive any distribution in respect of their claims due to a trustee's need to become familiar with the Chapter 11 case and the Debtors' books and records, and the trustee's duty to conduct independent investigations; (b) the additional unsecured claims that may be asserted against the Debtors; (c) the uncertainty of a trustee's ability to maintain tenants in Debtors' properties while liquidating Debtors' assets; (d) the lack of the trustee's knowledge, and the likely inability of the trustee to retain key personnel who can provide such knowledge regarding Debtors' properties; and (e) the trustee would not be able to time the sales of properties over

several years to maximize their value. Accordingly, Debtors believe the Plan meets the best interests test.

C. Financial Feasibility Test.

In addition to the requirements discussed above, the Bankruptcy Code requires that consummation of the Plan will not likely be followed by the liquidation or the need for further financial reorganization of the Debtors. The Debtors believe that the Debtors' post-confirmation efforts will stabilize rents and increase the value of the Pool D Properties. Future cash flow and the sale of these properties will generate a recovery for unsecured creditors. The Plan strikes a balance between providing the maximum possible recovery for creditors and reducing debt enough to be serviceable by Debtors' operations going forward. Accordingly, the Debtors believe that the Plan passes the feasibility test.

X. CONCLUSION.

The Plan offers the best alternative for payment to creditors. If the Debtors were merely liquidated in Chapter 7 cases, asset values would not be maximized, claims would increase, and unsecured creditors would be left with nothing. Accordingly, the Debtors request that each holder of a claim or equity interest accept the proposed Plan and complete and return the ballot.

**Fenton Sub Parcel D, LLC**

By: \_\_\_\_\_  
Steven B. Hoyt  
Chief Manager

**Bowles Sub Parcel D, LLC**

By: \_\_\_\_\_  
Steven B. Hoyt  
Chief Manager

/s/ James C. Brand  
James L. Baillie (#3980)  
Cynthia A. Moyer (#211229)  
James C. Brand (#387362)  
**FREDRIKSON & BYRON, P.A.**  
200 South Sixth Street, #4000  
Minneapolis, MN 55402  
Telephone: (612) 492-7408  
Facsimile: (612) 492-7070  
jbrand@fredlaw.com

ATTORNEYS FOR DEBTOR



## EXHIBIT A

### Definitions

Capitalized terms used in the Plan and Disclosure Statement have the following meanings. The Bankruptcy Code also defines many terms; those definitions are incorporated by reference.

1.1. “Allowed” or “allowed” means with respect to any claim, (a) a claim that has been scheduled by the Debtors in their Schedules as other than disputed, contingent, or unliquidated and as to which the Debtors or any other party-in-interest have not filed an objection; (b) a claim that either is not a contested claim or has been allowed by a Final Order; (c) a claim that is determined by the Debtors to be allowed; (d) a claim that is allowed in a stipulation or settlement executed prior to or after the Effective Date; (e) a claim relating to a rejected executory contract or unexpired lease that is not a contested claim or has been allowed by a Final Order, only if a proof of claim has been timely filed; or (f) a claim as to which a proof of claim has been timely filed and as to which the Debtors or any party-in-interest have not filed an objection; and with respect to all claims, only after reduction for applicable setoff and similar rights of the Debtors.

1.2. “Assets” means all the right, title, and interest in and to property of whatever type or nature owned by the Debtors or subsequently acquired by the Debtors, including any property of the estate for purposes of Section 541 of the Bankruptcy Code, including Avoidance Claims and Causes of Action, as of the Confirmation Date.

1.3. “Avoidance Claim” means any claim of the Debtors or the bankruptcy estates pursuant to Sections 544, 545, 547, 548, 549, 550, or 551 of the Bankruptcy Code.

1.4. “Bankruptcy Code” or “Code” means Title 11 of the United States Code.

1.5. “Bankruptcy Rule” or “Rule” means a Federal Rule of Bankruptcy Procedure.

1.6. “Bass Lake Business Center” means that certain real property, which is a part of the Pool D Properties, is situated in the State of Minnesota, County of Hennepin, and is described as follows:

Lot 1, Block 1, Science Industry Park, Hennepin County, Minnesota, filed as Official Plat 7709 in Volume 1896 beginning Page 571635, as R.T. doc. No. 1345224 and C.R. Doc. No. 4500263.

Part of which is registered property described as follows: That part of Lot 1, Block 1, Science Industry Park, lying West of the West line of the Northeast Quarter of the Southwest Quarter of Section 6, Township 118, Range 21.

(Certificate of Title No.1131061)

1.7. “Cahill Business Center” means that certain real property, which is a part of the Pool D Properties, is situated in the State of Minnesota, County of Hennepin, and is described as follows:

Lot 2, Block 1, Atwood Station Second Addition, Hennepin County, Minnesota.

Part of which is registered property described as follows: That part of Lot 2, Block 1, Atwood Station Second Addition, embraced within Lot 2, Block 1, Atwood Station Subdivision.

(Certificate of Title No.1131061)



1.8. “Cahill Purchase Agreement” means that certain purchase agreement between the Debtors on one hand and Tim Mulcahy on the other hand, dated August 8, 2007 regarding the Cahill Business Center.

1.9. “Causes of Action” means any and all actions, proceedings, causes of action (including, without limitation, any causes of action of a debtor or debtor in possession under chapter 5 of the Bankruptcy Code such as the Avoidance Claims or turnover actions), liabilities, obligations, suits, reckonings, covenants, contracts, controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to payment and claims, rights to object to claims, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured or whether asserted or assertable directly or derivatively, in law, equity or otherwise, and all rights thereunder or attendant thereto.

1.10. “Chapter 11 Cases” means the bankruptcy cases of In re: Fenton Sub Parcel D, LLC, case number 11-44430, and In re: Bowles Sub Parcel D, LLC, case number 11-44434, both of which are pending in the Bankruptcy Court for the District of Minnesota.

1.11. “Confirmation Date” means the date on which the Confirmation Order is entered.

1.12. “Confirmation Order” means the order confirming this Plan.

1.13. “Contested Claim” means a claim to which an objection has been made.

1.14. “Court” means a United States Bankruptcy Judge for the District of Minnesota, or any other court having competent jurisdiction to issue an order in this case.

1.15. “Debtors” means Fenton Sub Parcel D, LLC and Bowles Sub Parcel D, LLC in any form contemplated under this Plan.

1.16. “Disclosure Statement” means the First Amended Joint Disclosure Statement of Fenton Sub Parcel D, LLC and Bowles Sub Parcel D, LLC, dated May 7, 2012, as amended or modified.

1.17. “Effective Date” means the first day on which the conditions precedent set forth in Section 9.2 are met or are waived by the Debtors pursuant to Section 9.3.

1.18. “Excess Cash Fund” means (i) the proceeds of a sale of any parcel of the Pool D Properties pursuant to the Plan or the refinancing of the Class 1-A claim that are available after the application of such proceeds to (a) reasonable sales commissions and closing costs; (b) outstanding principal in the amount of the applicable Allocated Amount; (c) any accrued but unpaid interest; (d) any remaining unpaid principal; and (e) any unpaid administrative expense claims; and (ii) cash on hand attributed to the Reorganized Debtors’ ongoing operations to the extent such proceeds exceed current expenses.

1.19. “Filing Date” means June 29, 2011.

1.20. “Final Order” means an order of the Court which has not been reversed, stayed, modified, or amended and the time to appeal from or to seek review or rehearing of such order has expired.

1.21. “First Mortgage Debt” means that certain financing for the Pool D Properties provided by Nomura Credit and Capital, Inc. in the original amount of \$11,604,000.

1.22. “Larc Industrial Park III” means that certain real property, which is a part of the Pool D Properties, is situated in the State of Minnesota, County of Dakota, and is described as follows:

Lots 6 and 7, except the Westerly 290 feet of said Lot 7, as measured along the North and South lines of said Lot 7, all in Block 1, Larc Industrial Park, according to the recorded plat thereof, Dakota County, Minnesota.

(Abstract)

1.23. “Larc Industrial Park VII” means that certain real property, which is a part of the Pool D Properties, is situated in the State of Minnesota, County of Dakota, and is described as follows:

The North 433 feet of Lot 2, Block 2, Larc Industrial Park, according to the recorded plat thereof, filed October 15, 1970, as Doc. No. 377285.

(Abstract)

1.24. “Lender Collateral” means (i) the collateral described in the prepetition lending documents of the Secured Lender, specifically (1) the Pool D Properties; (2) certain proceeds of the Pool D Properties; and (3) certain reserve accounts associated with the Pool D Properties; and (ii) the Excess Cash Fund.

1.25. “Mortgage” means that certain Amended and Restated Mortgage and Security Agreement dated April 9, 2004 but effective April 12, 2004.

1.26. “Note” means that certain Amended and Restated Promissory Note dated April 12, 2004.

1.27. “Penn Corporate” means that certain real property, which is part of the Pool D Properties, is situated in the State of Minnesota, County of Hennepin, and is described as follows:

Parcel 1:

Lot 1, Block 1, Warrington 1st Addition (plat filed March 10, 1975, in Book 205 of Plats, Page 16 as R.D. Doc. No. 4131476), Hennepin County, Minnesota.

Parcel 2:

All right, title, and interest in and to that certain non-exclusive easement for sewer, storm drains and public or private water mains and/or lines created pursuant to the Easement Agreement dated August 30, 1977, filed October 12, 1977, as Document No. 4323840.

(All Abstract)

1.28. “Petition Date” means June 29, 2011.

1.29. “Pool D Properties” means the real property described on Schedule A of the Schedules.

1.30. “Plan” means the Joint Plan of Reorganization of Fenton Sub Parcel D, LLC and Bowles Sub Parcel D, LLC, dated January 6, 2012 as amended or modified.

1.31. “Released Parties” means the Debtors and their current and former governors and managers.

1.32. “Reorganized Debtors” means the Debtors on and after the Effective Date.

1.33. “Representative” means, with respect to an entity, such entity’s successor, predecessor, officer, director, governor, manager, trustee, partner, employee, agent, attorney, advisor, investment banker, financial advisor, accountant or other professional.

1.34. “Schedules” means the schedules of Assets and liabilities of the Debtors on file with the Clerk of the United States Bankruptcy Court for the District of Minnesota, as from time to time amended in accordance with Bankruptcy Rule 1009.

1.35. “Secured Lender” means Wells Fargo Bank N.A., trustee for the registered holders of J.P. Morgan Chase Commercial Mortgage Securities Corp., Commercial Mortgage Pass-Through Certificates, Series 2004-LN2, whose agent is the Special Servicer.

1.36. “Special Servicer” means CWCapital Asset Management LLC, as Special Servicer for Wells Fargo Bank N.A, trustee for the registered holders of J.P. Morgan Chase Commercial Mortgage Securities Corp., Commercial Mortgage Pass-Through Certificates, Series 2004-LN2.

1.37. “University Center I & II” means that certain real property, which is a part of the Pool D Properties, is situated in the State of Minnesota, County of Anoka, and is described as follows:

Parcel 1:

Tract A:  
Lots 4, 5 and 6, Block 3, UNIVERSITY INDUSTRIAL PARK (plat filed May 21, 1987, in Book 32 of Plats on page 11), Anoka County, Minnesota.

Tract B:  
Non-exclusive easements appurtenant to Lot 4, Block 3, University Industrial Park, over the South 30 feet of the West 20 feet of Lot 3, Block 3, University Industrial Park, as set forth in Reciprocal Easement dated January 8, 1982, filed January 14, 1982, as Document No. 584513, Office of County Recorder, Anoka County, Minnesota.

Parcel 2:

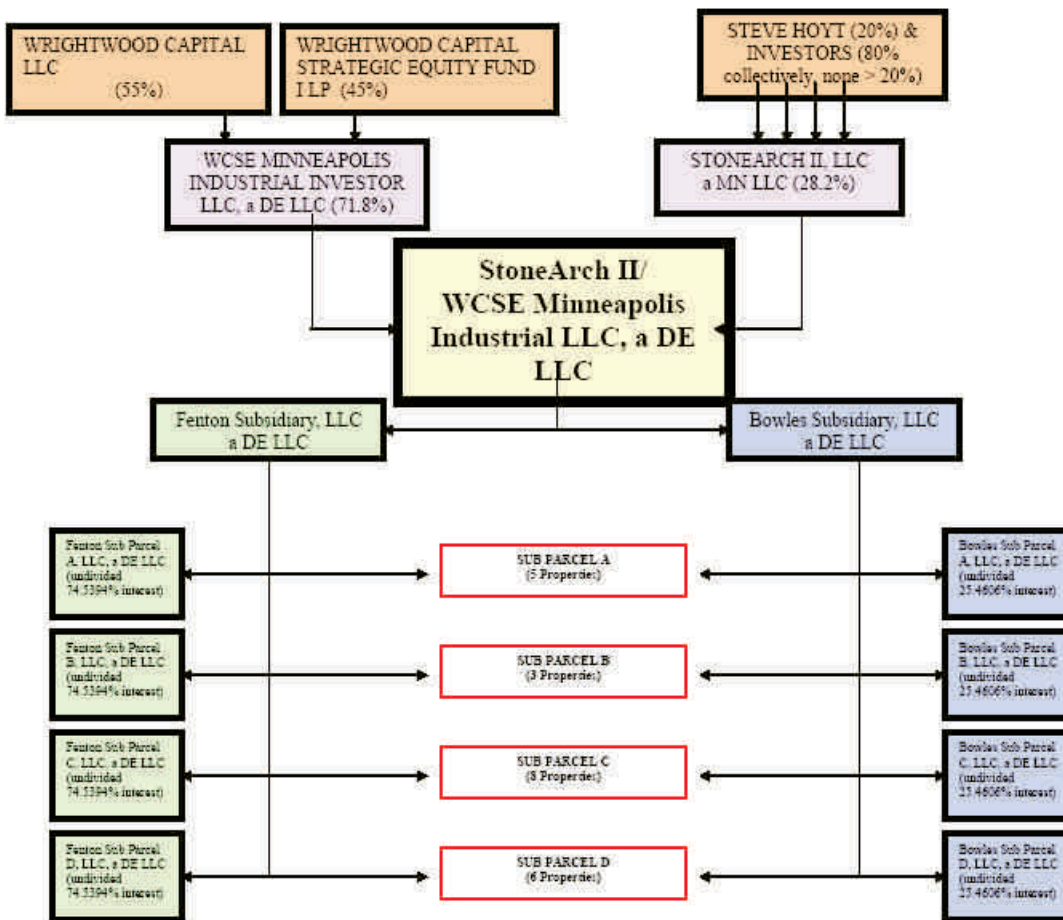
Tract A:  
Lots 7 and 8, Block 3, UNIVERSITY INDUSTRIAL PARK (plat filed May 21, 1987, in Book 32 of Plats on page 11), Anoka County, Minnesota.

Tract B:  
Non-exclusive appurtenant easement over portions of Lots 4, 5 and 6, Block 3, UNIVERSITY INDUSTRIAL PARK, as set forth in Easement dated February 23, 1983, filed March 25, 1983, as Document No. 609870, Office of County Recorder, Anoka County, Minnesota.

(All Abstract)

**EXHIBIT B**

**Corporate Structure**



**EXHIBIT C**

**Projected Cash Flow**

**(see Exhibit C to Plan)**

**EXHIBIT D**

**Liquidation Analysis**

**Combined Liquidation Analysis  
Fenton Sub Parcel D, LLC  
Bowles Sub Parcel D, LLC**

<b>Secured Creditor</b>		
<b>Collateral</b>		
	Real Property	\$10,550,000
	Reserve Accounts	\$0
	Cash on Hand	\$118,793
	Receivables	\$29,081
	<b>Total collateral</b>	<b>\$10,697,873</b>
	<b>Secured Debt (assuming claim is determined by value of collateral as of 6/29/11)</b>	<b>\$10,668,000</b>
	<b>Surplus</b>	<b>\$29,873</b>
<b>Unsecured Creditor "Waterfall"</b>		
<b>Distributable Assets</b>		
	Surplus	\$29,873
	Assets not subject to secured creditor's liens	\$0
	Subtotal	<b>\$29,873</b>
<b>Administrative claims</b>		
	Chapter 11 administrative expenses	\$300,000
	Chapter 7 trustee fees*	\$345,686
	Subtotal	<b>\$645,686</b>
	<b>Total Available for Distribution to Unsecured Claims</b>	<b>(\$615,813)</b>
	<b>Unsecured Claims</b>	<b>\$2,376,864</b>
	<b>Percentage Recovery</b>	<b>0.0%</b>

\*Maximum allowed under 11 U.S.C. § 326(a), assuming assets are turned over to secured creditor

**EXHIBIT E**

**Historical Financials**



Portfolio D  
Balance Sheet  
December 31, 2009

Assets

Current Assets

10100	Cash Account	\$ 740.35	
10500	Cash Reserve Account	62,445.84	
10504	Cash Reserve Account	40,668.87	
10505	Cash Reserve Account	13,891.00	
10506	Cash Reserve Account	183,636.00	
10600	Cash Escrow	143,431.92	
13100	Land	2,800,000.00	
13120	Buildings	11,463,246.30	
14700	Tenant Improvements-Floor/	909,007.72	
14900	Site Improvements	188,320.00	
14999	Accumlated Depreciation	(1,243,187.59)	
15000	Lease Commissions	74,040.20	
15100	Loan/Financing Costs	108,167.99	
15200	Organization Costs	19,916.20	
	Total Current Assets		\$ 14,764,324.80

Long Term Assets

	Total Long Term Assets		\$ 0.00
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	Total Assets		<u>\$ 14,764,324.80</u>
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Portfolio D

Balance Sheet

December 31, 2009

**Liabilities and Equity****Current Liabilities**

20500	Tenant Security Deposit	\$ 100,257.10	
21000	Due To/From SA II/WCSE	5,087,513.75	
21010	Due To/From	(25,800.00)	
21020	Due To/From	114,520.00	
21030	Due To/From	334,608.00	
24000	Mortgage Payable	<u>10,793,973.96</u>	
Total Current Liabilities			\$ 16,405,072.81

**Long Term Liabilities**

Long Term Liabilities			<u>\$ 0.00</u>
Total Liabilities			\$ 16,405,072.81

**Equity**

29999	Retained Earnings	\$ (1,035,138.90)	
	Net Income	<u>(605,609.11)</u>	
Total Equity			\$ (1,640,748.01)
Total Liabilities & Equity			<u>\$ 14,764,324.80</u>

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Income Statement  
For the Period Ended December 31, 2009

Account	Title	Current Period Activity	Year To Date Activity
<b><u>Income</u></b>			
30000	Rent Income	\$ 80,214.14	\$ 962,851.69
32000	CAM Income-Operating Expens	25,986.35	298,627.14
32500	CAM Income RE Tax-Operating	27,968.18	330,968.11
32800	CAM True Up-Operating & Tax		7,708.84
33000	Late Payment Fee- Operating		702.85
34000	NSF Check Fee	25.00	25.00
35500	Interest Income	24.51	354.45
39000	Miscellaneous Income		9,870.00
	<b>Total Income</b>	<b>\$ 134,218.18</b>	<b>\$ 1,611,108.08</b>

**Expenses**

50040	Insurance		\$ 20,292.00
50050	Real Estate Taxes		460,587.66
50100	Roof Repair		8,313.66
50400	HVAC Repairs	1,701.18	33,277.08
50900	Fire Sprinkler Protection	528.11	11,358.05
51200	Trash Removal	578.54	7,088.91
51500	Other Repair & Maintenance	1,331.08	59,262.92
51600	Exterminating		2,073.19
51700	Signage		7,922.65
52000	Landscape/Contract Services	2,800.21	34,522.29
52125	Parking Lot Maintenance		6,902.50
52175	Snow Removal		66,499.08
52200	Parking Electric	99.90	1,589.17
53100	Janitorial Contract Service		11,438.12
55000	Electric		6,734.63
55100	Water/Sewer	5,270.60	29,317.24
56000	Management Fees		30,109.64
60020	Tenant Work Order Expenses	(778.50)	2,597.22
60400	HVAC Repairs		400.03
61500	Other Repair & Maintenance	46.50	17,023.55
61700	Signage		1,000.00
65000	Electric - Vacancy	1,884.31	17,720.93
65100	Water/Sewer		193.40
65200	Gas - Vacancy	763.58	22,798.46
66080	Leasing & Sales Commissions	1,318.59	1,318.59
66100	Accounting Services		2,244.00

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Income Statement  
For the Period Ended December 31, 2009

Account	Title	Current Period Activity	Year To Date Activity
66200	Legal Services		\$ 16,648.32
66300	Tenant Relations		2,031.64
66600	Advertising		345.62
66710	Professional Service Expens	690.00	1,030.20
67200	Architectural/Space Plannin	417.14	4,566.06
67300	Miscellaneous Operating Exp		3,187.07
67600	Bank Charges		15.00
68000	Income/Loss Investment HMW-	167,101.91	167,101.91
69000	Interest Expense	45,406.80	556,959.77
80300	Depreciation	505,702.35	505,702.35
80400	Amortization	76,564.28	76,564.28
	Total Expenses	\$ 811,426.58	\$ 2,216,717.19
<b><u>Other Income</u></b>			
	Total Other Income		
	Net Income (Loss)	<u>\$ (677,208.40)</u>	<u>\$ (605,609.11)</u>

Portfolio D

## Balance Sheet

December 31, 2010

AssetsCurrent Assets

10100	Cash Account	\$ 313.79	
10200	Cash Account - Berkadia/CW	13,337.19	
10500	Cash Reserve Account	62,445.84	
10504	Cash Reserve Account	35,540.37	
10505	Cash Reserve Account	13,891.00	
10506	Cash Reserve Account	183,636.00	
10600	Cash Escrow	152,105.21	
12000	Accounts Receivable	(12,243.84)	
13100	Land	2,800,000.00	
13120	Buildings	11,205,744.00	
14700	Tenant Improvements-Floor/	1,030,980.48	
14900	Site Improvements	187,313.74	
14999	Accumlated Depreciation	(1,833,342.87)	
15000	Lease Commissions	29,807.43	
15100	Loan/Financing Costs	83,206.14	
15200	Organization Costs	<u>19,916.20</u>	
Total Current Assets			\$ 13,972,650.68

Long Term Assets

Total Long Term Assets			<u>\$ 0.00</u>
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Total Assets			<u>\$ 13,972,650.68</u>
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Balance Sheet  
December 31, 2010**Liabilities and Equity****Current Liabilities**

20500	Tenant Security Deposit	\$ 85,764.48	
20650	Prepaid Rent	(95.30)	
21000	Due To/From SA II/WCSE	5,073,774.36	
21010	Due To/From	(29,080.53)	
21020	Due To/From	135,820.00	
21030	Due To/From	383,341.02	
24000	Mortgage Payable	<u>10,589,865.77</u>	
Total Current Liabilities			\$ 16,239,389.80

**Long Term Liabilities**

Long Term Liabilities		<u>\$ 0.00</u>
Total Liabilities		\$ 16,239,389.80

**Equity**

29999	Retained Earnings	\$ (1,932,850.11)	
	Net Income	<u>(333,889.01)</u>	
Total Equity			\$ <u>(2,266,739.12)</u>
Total Liabilities & Equity			\$ <u>13,972,650.68</u>

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Income Statement  
For the Period Ended December 31, 2010

Account	Title	Current Period Activity	Year To Date Activity
<b><u>Income</u></b>			
30000	Rent Income	\$ 81,874.76	\$ 1,019,473.62
32000	CAM Income-Operating Expens	24,849.29	324,792.94
32500	CAM Income RE Tax-Operating	26,515.63	336,507.62
32800	CAM True Up-Operating & Tax		9,529.11
33000	Late Payment Fee- Operating	74.80	7,543.65
33600	Storage Income	766.67	766.67
34000	NSF Check Fee		25.00
35500	Interest Income	39.65	153.83
39000	Miscellaneous Income	50.00	600.00
	<b>Total Income</b>	<b>\$ 134,170.80</b>	<b>\$ 1,699,392.44</b>

**Expenses**

50040	Insurance		\$ 20,383.00
50050	Real Estate Taxes		465,770.08
50100	Roof Repair		5,446.28
50400	HVAC Repairs	11,168.99	38,251.20
50900	Fire Sprinkler Protection	545.27	7,974.74
51200	Trash Removal	719.18	7,005.90
51500	Other Repair & Maintenance	3,670.47	37,820.81
51600	Exterminating		1,963.68
51700	Signage		382.25
52000	Landscape/Contract Services	8,585.13	43,522.45
52125	Parking Lot Maintenance		6,614.00
52175	Snow Removal		64,254.00
52200	Parking Electric	1,124.58	1,124.58
53100	Janitorial Contract Service	1,668.92	17,359.74
55000	Electric		7,802.56
55100	Water/Sewer	1,821.19	29,534.84
56000	Management Fees		22,541.05
60020	Tenant Work Order Expenses		829.09
61500	Other Repair & Maintenance	198.53	2,989.49
65000	Electric - Vacancy	821.99	22,517.83
65100	Water/Sewer		359.56
65200	Gas - Vacancy	225.75	11,160.75
66050	Entertainment & Promotion		37.60
66080	Leasing & Sales Commissions	11,059.01	15,886.45
66200	Legal Services	2,187.90	2,521.90

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Income Statement  
For the Period Ended December 31, 2010

Account	Title	Current Period Activity	Year To Date Activity
66600	Advertising		\$ 308.00
66800	Postage/Messenger		26.68
66950	D & B Expense	238.00	238.00
67200	Architectural/Space Plannin	994.61	5,315.51
67400	Bad Debt Expense	12,243.84	12,243.84
67600	Bank Charges	430.56	1,319.13
69000	Interest Expense	44,553.14	546,812.93
80300	Depreciation	559,835.91	559,835.91
80400	Amortization	73,127.62	73,127.62
	Total Expenses	\$ 735,220.59	\$ 2,033,281.45
<u>Other Income</u>			
	Total Other Income		
	Net Income (Loss)	<u>\$ (601,049.79)</u>	<u>\$ (333,889.01)</u>

Confidential: For Internal Use Only

## Balance Sheet

December 31, 2011

**Assets****Current Assets**

10100	Cash Account	\$ 230,866.90	
10200	Cash Account - Berkadia/CW	236.91	
10507	Deposit - CenterPoint Ener	412.00	
10600	Cash Escrow	74,999.09	
13100	Land	2,800,000.00	
13120	Buildings	11,205,744.00	
14700	Tenant Improvements-Floor/	1,040,445.46	
14900	Site Improvements	187,313.74	
14999	Accumlated Depreciation	(2,267,740.16)	
15000	Lease Commissions	(2,816.67)	
15100	Loan/Financing Costs	58,244.29	
15200	Organization Costs	19,916.20	
	Total Current Assets		\$ 13,347,621.76

**Long Term Assets**

	Total Long Term Assets		\$ 0.00
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	Total Assets		<u>\$ 13,347,621.76</u>
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**Liabilities and Equity**

**Current Liabilities**

20500	Tenant Security Deposit	\$ 82,749.48	
20650	Prepaid Rent	809.92	
21000	Due To/From SA II/WCSE	5,068,774.36	
21010	Due To/From	(29,080.53)	
21020	Due To/From	147,320.00	
21030	Due To/From	425,489.18	
24000	Mortgage Payable	<u>10,236,629.73</u>	
	Total Current Liabilities		\$ 15,932,692.14

**Long Term Liabilities**

	Long Term Liabilities		<u>\$ 0.00</u>
	Total Liabilities		\$ 15,932,692.14

**Equity**

29999	Retained Earnings	\$ (2,265,893.87)	
	Net Income	<u>(319,176.51)</u>	
	Total Equity		\$ <u>(2,585,070.38)</u>
	Total Liabilities & Equity		\$ <u>13,347,621.76</u>

For the Period Ended December 31, 2011

Account	Title	Current Period Activity	Year To Date Activity
<b><u>Income</u></b>			
30000	Rent Income	\$ 68,508.42	\$ 864,088.06
32000	CAM Income-Operating Expens	22,894.64	289,273.05
32500	CAM Income RE Tax-Operating	22,028.92	295,896.23
32800	CAM True Up-Operating & Tax		16,441.65
33000	Late Payment Fee- Operating	972.88	7,132.86
33600	Storage Income	500.00	6,000.00
35500	Interest Income		67.13
39000	Miscellaneous Income	50.00	550.00
Total Income		\$ 114,954.86	\$ 1,479,448.98

**Expenses**

50040	Insurance		\$ 18,453.00
50050	Real Estate Taxes		440,986.85
50100	Roof Repair		6,381.49
50400	HVAC Repairs	4,188.89	30,146.67
50900	Fire Sprinkler Protection	2,840.11	14,627.07
51200	Trash Removal	764.04	9,174.80
51500	Other Repair & Maintenance	2,356.51	45,331.72
51600	Exterminating		1,886.44
51700	Signage		330.00
52000	Landscape/Contract Services	575.34	21,819.13
52125	Parking Lot Maintenance		27,178.16
52150	Parking Lot Repairs		8,550.00
52175	Snow Removal	9,235.00	99,475.94
52200	Parking Electric	310.26	1,730.72
53100	Janitorial Contract Service	1,050.82	16,859.41
55000	Electric	137.61	7,022.03
55100	Water/Sewer	5,403.00	34,867.20
56000	Management Fees	5,884.71	31,597.17
60020	Tenant Work Order Expenses	(256.53)	2,378.47
60070	Administration Fees		85.00
60400	HVAC Repairs		351.17
61500	Other Repair & Maintenance	100.05	13,758.11
61700	Signage		150.00
63100	Janitorial Contract Service	160.91	160.91
65000	Electric - Vacancy	235.04	34,847.38
65200	Gas - Vacancy	3,304.21	25,920.70

Confidential: For Internal Use Only

Income Statement

For the Period Ended December 31, 2011

Account	Title	Current Period Activity	Year To Date Activity
66080	Leasing & Sales Commissions	\$ 842.07	\$ 842.07
66200	Legal Services		47,738.20
66300	Tenant Relations		385.23
66600	Advertising		836.38
66710	Professional Service Expens		50,002.50
67200	Architectural/Space Plannin	145.59	4,153.56
67270	Abandoned Project Expense		14,621.00
67300	Miscellaneous Operating Exp		11,059.46
67600	Bank Charges	279.43	13,700.46
69000	Interest Expense		269,233.84
80300	Depreciation	434,397.29	434,397.29
80400	Amortization	57,585.96	57,585.96
	Total Expenses	\$ 529,540.31	\$ 1,798,625.49
<b>Other Income</b>			
	Total Other Income		
	Net Income (Loss)	\$ (414,585.45)	\$ (319,176.51)