

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:

NNN 123 NORTH WACKER, LLC, et al.,¹

Debtors.

)
) Chapter 11
)

) Case No. 13-39210 (JBS)
)

) (Jointly Administered)
)

**DISCLOSURE STATEMENT WITH RESPECT TO
DEBTORS' PROPOSED JOINT PLAN OF REORGANIZATION**

IMPORTANT DATES

- Date by which ballot must be received: 4:00 p.m. (prevailing Central Time), [_____] (unless the Debtors extend this date prior to the deadline.)
- Deadline by which objections to Confirmation of the Plan must be filed and served: 4:00 p.m. (prevailing Central Time), [_____]
- Hearing on Confirmation of the Plan: [_____] (prevailing Central Time), [_____]

THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT.

Dated: April 25, 2014

D. Tyler Nurnberg
Daniel J. Hartnett
Seth J. Kleinman
KAYE SCHOLER, LLP
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¹ The Debtors, along with the last four digits of each Debtor's federal tax identification number, are: NNN 123 North Wacker, LLC (4336) and NNN 123 North Wacker Member, LLC (7290).

SUMMARY

On October 4, 2013 (the “Petition Date”), NNN 123 North Wacker, LLC (“TIC 0”) and NNN 123 North Wacker Member, LLC (“TIC Member” and, together with TIC 0, the “Debtors”) each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as amended (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Northern District of Illinois (the “Bankruptcy Court”).

By order of the Bankruptcy Court [Docket No. 57], the Debtors’ chapter 11 cases (the “Chapter 11 Cases”) are being jointly administered for procedural purposes only. Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors are continuing to operate their businesses and manage their affairs as debtors-in-possession in the Chapter 11 Cases. No official committee of unsecured creditors has been appointed in the Chapter 11 Cases.

A copy of the Debtors’ proposed joint plan of reorganization (as may be amended from time to time, the “Plan”), which sets forth the manner in which claims against and interests in the Debtors will be allowed and treated, is attached as Appendix A to this disclosure statement (this “Disclosure Statement”). On [___], 2014, the Bankruptcy Court approved the adequacy of this Disclosure Statement, which allowed the Debtors to commence soliciting votes from parties entitled to accept or reject the Plan. This Disclosure Statement summarizes the nature of the Plan and describes the proposed treatment of each class of Claims and Interests. This Disclosure Statement also describes certain aspects of the Debtors’ operations, a summary of the Debtors’ assets and liabilities, significant events that have occurred during the Chapter 11 Cases, future operations, certain risk factors and related matters, and includes the Property’s annual income statement for the last calendar year. Further, this Disclosure Statement describes certain potential federal income tax consequences to the holders of claims against or interests in the Debtors’ estates, voting procedures and the Plan confirmation process.

The Debtors are furnishing this Disclosure Statement as the proponents of the Plan pursuant to section 1125 of the Bankruptcy Code and in connection with the solicitation of votes (the “Solicitation”) to accept or reject the Plan, as it may be amended or supplemented from time to time in accordance with the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). **Capitalized terms used but not otherwise defined in this Disclosure Statement shall have the meanings ascribed to such terms in the Plan.**

This summary is intended solely as a summary of the distribution provisions of the Plan and certain matters related to the Debtors’ businesses and is qualified in its entirety by the more detailed discussions and information elsewhere in this Disclosure Statement and the Plan.

FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS THERETO IN THEIR ENTIRETY.

Purpose of the Plan

The Plan contemplates, generally, the following:

- The sale of the Property, subject to competitive bidding and an auction process, all according to such terms and conditions as are approved by the Bankruptcy Court.
- The “stalking horse” bidder will be a new Delaware limited liability company, 123 North Wacker Borrower, LLC, referred to herein as the “Approved Purchaser.”
- The Approved Purchaser will be ultimately managed by an entity that is owned 90% by ND Investment-123 N. Wacker-T, LLC. The other 10% (excluding the percentage currently held by TIC 0) is being offered to those non-debtor TICs (the “Non-Debtor TICs”) that consent to the transaction and elect to invest additional money, as discussed further below. If the Non-Debtor TICs do not subscribe fully for their pro rata share of equity, Sovereign Capital Management Group, Inc. has committed to purchase any of the remaining 10%. An organizational chart of the Approved Purchaser entities is attached hereto as Appendix B.
- The proposed sale will remove the Property from its tenant in common structure.

In the event that the Approved Purchaser acquires the Property:

- Loan Assumption. The Approved Purchaser will assume the mortgage loan, as modified by agreement between the Approved Purchaser and the lender, which shall be the treatment of the Allowed Noteholder Secured Claim.
- New Equity Capital. The Approved Purchaser will contribute \$12-15 million of new equity capital, which, after payment of certain transaction costs, will be used to pay leasing commissions, tenant improvements, deferred maintenance and other operating expenditures required to implement the new business plan and increase revenues.
- Claims. The Approved Purchaser will provide for the payment in full, in cash, of Administrative Claims, Priority Tax Claims, Other Priority Claims and General Unsecured Claims, in each case to the extent such Claims are Allowed Claims in amounts consistent with the Debtors’ estimates as set forth herein.
- Existing Equity. The equity of TIC Member and TIC 0 shall remain intact.
- Consenting TICs.
 - Those Non-Debtor TICs that consent to the transaction will be given the option to either (1) invest additional money to acquire their pro rata share of 10% (excluding the percentage currently held by TIC 0) of the equity of the ultimate manager parent of the Approved Purchaser, or (2) for those that do not want to invest additional money, they will have the option to exchange their existing

tenant in common interests in the Property for limited interests in the parent of the Approved Purchaser, the intent of such exchange being to allow such Non-Debtor TICs to continue to defer gains on previous real estate sales, as discussed below.

- Those Non-Debtor TICs that consent to the transaction will benefit from a “covenant not to sue” in the modified loan documents, pursuant to which the Noteholder will agree not to seek to enforce its remedies for any defaults that occurred under the Loan at any time prior to closing of the proposed transaction, which, pursuant to the RSA, is to be on or before July 15, 2014 (unless such date is extended by up to two weeks pursuant to the applicable provisions of the RSA).
- Sovereign will also provide a customary non-recourse carve-out guaranty of the mortgage debt, which was approved by the Noteholder and is further credit support for the Non-Debtor TICs.

In the event that a bidder other than the Approved Purchaser acquires the Property:

- Secured Claim. Unless the Noteholder consents to other treatment, such successful bidder must pay the Allowed Noteholder Secured Claim in full, in cash, at closing.
- Administrative Claims. Unless the Holder of an Allowed Administrative Claim consents to other treatment, the successful bidder must pay such claim in full, in cash, at closing.
- Claims/Interests. After payment in full of the Allowed Noteholder Secured Claim, the payment of amounts permitted to be paid out of the Overbid Reserve, and payment of Allowed Administrative Claims, the remaining proceeds of the sale, if any, shall be applied: first, to satisfy Allowed Priority Tax Claims; second, to satisfy Allowed Other Priority Claims; third, to satisfy Allowed General Unsecured Claims; fourth, shall be distributed to the holder of equity interest of TIC 0; and fifth, shall be distributed to the holders of equity interests of TIC Member. Following such application of proceeds, all Claims and Interests shall be extinguished.

The Debtors submit that the Plan maximizes the value of the Debtors’ Estates and that any alternative to confirmation of the Plan, such as liquidation or an alternative plan of reorganization, would result in significant delays, litigation and additional costs.

The Debtors believe that the Plan’s contemplated reorganization is in the best interests of their Creditors and Interest Holders. If the Plan were not to be confirmed, the Debtors believe they may be forced to liquidate under chapter 7 or 11 of the Bankruptcy Code.

Summary of Treatment of Claims and Interests under the Plan

Under the Plan, Claims against and Interests in the Debtors are divided into Classes. The estimated aggregate amount of Claims in each Class and the amount and nature of distributions to Holders of Claims or Interests in each Class are summarized in the table below. All Holders of Claims and Interests should review this Disclosure Statement, the Plan and any accompanying

ballot to determine the classification of their respective Claims and/or Interests. **For classification and voting purposes, the Plan assumes that, and is premised upon, the Approved Purchaser being the Purchaser of the Property on the Effective Date.**

The estimated amounts of Claims shown in the table below are based upon the Debtors' review of Claims and the Debtors' books and records and any Allowed Claims in the Chapter 11 Cases. These amounts may be increased or decreased substantially following the Claims objection process. The amount of any Contested Claim that ultimately is allowed by the Bankruptcy Court may be significantly more or less than the estimated amount of such Claim.

As a result, the final amount of Allowed Claims may directly affect the ultimate recovery by Holders of Allowed Claims and Interests and the amounts recovered could vary materially from the Debtors' estimates below.

Each amount designated in the table below as "Projected Recoveries Under the Plan" for each Class of Claims is the quotient of the estimated Cash or other assets to be distributed to Holders of Allowed Claims or Interests in such Class, divided by the estimated aggregate amount of Allowed Claims or Interests in such Class. In determining such amounts, the Debtors have assumed that the Plan is consummated as described herein with the Approved Purchaser as the Purchaser of the Property on the Effective Date. If a Non-Proposed Purchaser is the Purchaser, projected recoveries will depend upon the amount of the Sale Proceeds, which amount cannot be determined with any certainty at this time.

While the Debtors believe the information reflected below is based on a reasonable estimate of percentage recoveries, no representation can be or is being made with respect to whether the estimated percentage recoveries shown in the table below will actually be realized by the Holders of Allowed Claims or Interests in any particular Class.

Under the Plan, Claims against and Interests in the Debtors will be treated as follows:

Class/Type of Claim or Interest and Number of Filed Claims ²	Projected Allowed Claims / Interests	Plan Treatment of Class	Projected Recovery Under the Plan	Projected Recovery Under Chapter 7 Liquidation
Administrative Claims (0)	Approx. \$0 ³ (estimated)	On, or as soon as reasonably practicable after, the latest of (i) the Effective Date, (ii) the date such Administrative Claim becomes an Allowed Administrative Claim, or (iii) the date such Administrative Claim becomes payable pursuant to any agreement between the Reorganized Debtors and the Holder of such Administrative Claim, each Holder of an Allowed Administrative Claim shall receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Administrative Claim, one of the following treatments: (a) Cash equal to the unpaid portion of such Allowed Administrative Claim, or (b) such other treatment as to which the Debtors or Reorganized Debtors and such Holder shall have agreed upon in writing; <u>provided, however</u> , that the Reorganized Debtors shall be authorized to pay Allowed Administrative Claims that arise in the ordinary course of the Debtors' business, in full, in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such transactions, post-confirmation.	100%	100%
Priority Tax Claims (0)	Approx. \$0 (estimated)	On, or as soon as reasonably practicable after, the later of (i) the Effective Date, (ii) the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or (iii) the date such Priority Tax Claim becomes payable pursuant to any agreement between the Reorganized Debtors and the Holder of such Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall receive in full satisfaction, settlement, release, and discharge of	100%	0%

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The "Number of Claims" reflects the number of Claims filed against the Debtors in these Chapter 11 Cases, and do not necessarily reflect the total number of Claims that will ultimately be Allowed. On February 28, 2014 the Debtors objected to many of the Claims pursuant to the (i) *Debtors' First Omnibus Objection to Certain Claims as (A) Duplicate, (B) Multiple Debtor Duplicate, (C) Equity, (D) Late Filed, (E) No Supporting Documentation and (F) Misclassified* filed in the TIC 0 Chapter 11 Case [Docket No. 112] (the "TIC 0 Omnibus Objection"), (ii) *Debtors' Objection to Claim of FPL Corporate Services LLC (Proof of Claim No. 16)* filed in the TIC 0 Chapter 11 Case [Docket No. 113] (the "TIC 0 Claim No. 16 Objection"); (iii) the *Debtors' Objection to Claim of TNP 2008 Participating Notes Program, LLC (Proof of Claim No. 21)* filed in the TIC 0 Chapter 11 Case [Docket No. 114] (the "TIC 0 Claim No. 21 Objection") and (iv) *Debtors' First Omnibus Objection to Certain Claims as (A) Duplicate, (B) Multiple Debtor Duplicate (C) Equity, (D) Late Filed, (E) No Supporting Documentation and (F) Misclassified* filed in the TIC Member Chapter 11 Case [Docket No. 39] (the "TIC Member Omnibus Objection").

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The Debtors project that ultimately the Class of Administrative Claims will be comprised of only Allowed Fee Claims. Pursuant to the Plan, Retained Professionals have until thirty (30) days after the Effective Date to file Fee Claims.

Class/Type of Claim or Interest and Number of Filed Claims²	Projected Allowed Claims / Interests	Plan Treatment of Class	Projected Recovery Under the Plan	Projected Recovery Under Chapter 7 Liquidation
		and in exchange for such Allowed Priority Tax Claim, one of the following treatments: (a) Cash equal to the unpaid portion of such Allowed Priority Tax Claim, (b) Cash payments over time in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, or (c) such other treatment as to which the Debtors or Reorganized Debtors and such Holder shall have agreed upon in writing.		
TIC 0 Class 1 —Other Priority Claims against TIC 0 (0)	Approx. \$0 (estimated)	On, or as soon as reasonably practicable after, the latest of (a) the Effective Date, (b) the date such Other Priority Claim becomes an Allowed Other Priority Claim, and (c) the date such Other Priority Claim becomes payable pursuant to any agreement between the Debtors or Reorganized Debtors and the Holder of such Other Priority Claim, each Holder of an Allowed Other Priority Claim as of the Distribution Record Date shall receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Other Priority Claim, one of the following treatments: (i) full payment in Cash of its Allowed Other Priority Claim, or (ii) such other treatment as may be agreed to by such Holder with the Debtors or Reorganized Debtors, or in the event the Approved Purchaser is the Purchaser, with the Approved Purchaser.	100%	0%
TIC 0 Class 2 —Noteholder Secured Claim against TIC 0 (1)	Approx. \$[] ⁴	The Noteholder Secured Claim is Allowed in its entirety and is not subject to objection, disallowance or subordination. In treatment of such Allowed Noteholder Secured Claim, (X) in the event that the Approved Purchaser is the Purchaser, then, in connection with the transfer of the Property to the Approved Purchaser on the Effective Date, the Approved Purchaser shall, on the Effective Date, assume the Loan as modified pursuant to the Loan Modification Documents and execute and deliver the Loan Modification Documents to Noteholder and otherwise satisfy the conditions precedent set forth in the Loan Modification Documents and, in exchange, the Noteholder shall, subject to satisfaction of the Noteholder Conditions Precedent, and subject to the Approved Purchaser taking the foregoing actions (i) consent to the modifications to the Loan Documents set	100%	[]

⁴ The Debtors have requested from the Noteholder the total amount of its claim. That request is currently pending. The total amount of the Noteholder's claim and the "Projected Recovery Under Chapter 7 Liquidation" for the TIC 0 Class 2-Noteholder Secured Claim will be included in the Disclosure Statement as soon as practicable and, in any case, prior to the hearing on approval of the Disclosure Statement.

Class/Type of Claim or Interest and Number of Filed Claims²	Projected Allowed Claims / Interests	Plan Treatment of Class	Projected Recovery Under the Plan	Projected Recovery Under Chapter 7 Liquidation
		forth in the Loan Modification Documents, (ii) consent to the Approved Purchaser acquiring 100% fee title to the Property and assuming the Loan Documents as modified by the Loan Modification Documents, and (iii) consent to consideration under the Plan being distributed to other classes of Claims and Interests as set forth herein; or (Y) in the event that a Non-Proposed Purchaser is the Purchaser, then, on the Effective Date, the Noteholder shall receive (i) payment in Cash of the Sale Proceeds in an amount equal to the Allowed Noteholder Secured Claim, or (ii) such other treatment as may be agreed in the Noteholder's sole discretion; <u>provided, however</u> , if the Noteholder is the Purchaser of the Property as a result of a Credit Bid (as defined in the Bid/Sale Procedures), the Noteholder shall not be entitled to a Cash payment on account of its Allowed Noteholder Secured Claim and the Allowed Noteholder Secured Claim shall be satisfied, settled, released, and discharged of and exchanged for 100% fee title to the Property; and <u>provided, further</u> , that, for the avoidance of doubt, the Noteholder shall have the absolute sole discretion to decline any requested assumption of the Loan in connection with a bid for the purchase of the Property from a Non-Proposed Purchaser.		
TIC 0 Class 3 —Other Secured Claims against TIC 0 (0)	Approx. \$0 (estimated)	On, or as soon as reasonably practicable after, the latest of (a) the Effective Date, (b) the date such Other Secured Claim becomes an Allowed Other Secured Claim, and (c) the date such Other Secured Claim becomes payable pursuant to any agreement between the Debtors or Reorganized Debtors and the Holder of such Other Secured Claim, each Holder of an Allowed Other Secured Claim as of the Distribution Record Date shall receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Other Secured Claim, one of the following treatments: (i) full payment in Cash of its Allowed Other Secured Claim, or (ii) such other treatment as may be agreed to between the Holder and the Debtors or Reorganized Debtors, or in the event of the Approved Purchaser is the Purchaser, the Approved Purchaser.	100%	0%
TIC 0 Class 4 — General Unsecured Claims Against TIC 0 (50)	Approx. \$520,000 (estimated)	Within thirty (30) days of the latest of (a) the Effective Date, (b) the date such General Unsecured Claim becomes an Allowed General Unsecured Claim, and (c) the date such General Unsecured Claim becomes payable pursuant to any agreement between the Debtors or Reorganized Debtors and the Holder of such General	100%	0%

Class/Type of Claim or Interest and Number of Filed Claims²	Projected Allowed Claims / Interests	Plan Treatment of Class	Projected Recovery Under the Plan	Projected Recovery Under Chapter 7 Liquidation
		Unsecured Claim, each Holder of an Allowed General Unsecured Claim as of the Distribution Record Date shall receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed General Unsecured Claim, (X) in the event that the Approved Purchaser is the Purchaser, one of the following treatments: (i) full payment in Cash of its Allowed General Unsecured Claim, or (ii) such other treatment as may be agreed to between the Holder and the Debtors or Reorganized Debtors, or in the event the Approved Purchaser is the Purchaser, the Approved Purchaser; or (Y) in the event that a Non-Proposed Purchaser is the Purchaser, (i) payment in Cash from the Debtors' pro rata share of Sale Proceeds of its Pro Rata Share of such proceeds after having given effect to Distributions to Allowed Claims in TIC 0 Classes 1, 2 and 3, or (ii) such other treatment as may be agreed between the Holder and the Debtors or Reorganized Debtors.		
TIC 0 Class 5 - TIC 0 Interests	All TIC 0 Interests	On the Effective Date, (X) in the event that the Approved Purchaser is the Purchaser, then the Holders of TIC 0 Interests shall retain their TIC 0 Interests; or (Y) in the event that a Non-Proposed Purchaser is the Purchaser, in full satisfaction, settlement, release and discharge of and exchange for such Allowed TIC 0 Interest, (i) each such Holder as of the Distribution Record Date shall receive payment in Cash from the Debtors' pro rata share of Sale Proceeds of its Pro Rata Share of such proceeds after having given effect to Distributions to Allowed Claims in TIC 0 Classes 1, 2, 3 and 4, and (ii) all Interests in TIC 0 shall be cancelled.	Retention of Interests	0%
TIC Member Class 1 - TIC Member Interests	All TIC Member Interests	On the Effective Date, (X) in the event that the Approved Purchaser is the Purchaser, then the Holders of TIC Member Interests shall retain their TIC Member Interests; or (Y) in the event that a Non-Proposed Purchaser is the Purchaser, in full satisfaction, settlement, release and discharge of and exchange for such Allowed TIC Member Interests, (i) each such Holder as of the Distribution Record Date shall receive payment in Cash from the Debtors' pro rata share of Sale Proceeds of its Pro Rata Share of such proceeds after having given effect to Distributions to Allowed TIC 0 Claims and Interests, and (ii) all Interests of TIC Member shall be cancelled.	Retention of Interests	0%

For additional information regarding the classification of Claims and Interests above, you should review this Disclosure Statement and the Plan in their entirety.

Voting and Confirmation

Under the provisions of the Bankruptcy Code, not all parties in interest are entitled to vote on a chapter 11 plan. The following summary chart sets forth the rights of each Class to vote, or not vote, on the Plan:

Class	Claims and Interests	Status	Entitlement to Vote
TIC 0 Class 1	Other Priority Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
TIC 0 Class 2	Noteholder Secured Claim against TIC 0	Impaired	Entitled to Vote
TIC 0 Class 3	Other Secured Claims against TIC 0	Unimpaired	Not Entitled to Vote (Presumed to Accept)
TIC 0 Class 4	General Unsecured Claims against TIC 0	Unimpaired	Not Entitled to Vote (Presumed to Accept)
TIC 0 Class 5	TIC 0 Interests	Unimpaired	Not Entitled to Vote (Presumed to Accept)
TIC Member Class 1	TIC Member Interests	Unimpaired	Not Entitled to Vote (Presumed to Accept)

The Holder of the Noteholder Secured Claim in TIC 0 Class 2 are “impaired” within the meaning of section 1124 of the Bankruptcy Code and will receive a “distribution” under the Plan in the form of either (i) an assumption of the Loan by the Approved Purchaser pursuant to the Loan Modification Documents; (ii) an assumption of the Loan by a successful bidder other than the Approved Purchaser, if the Noteholder agrees to such assumption; or (iii) payment in full, in Cash, out of the proceeds of the sale if the Property is acquired by a successful bidder other than the Approved Purchaser. TIC 0 Class 2 is the **ONLY** Class entitled to vote to accept or reject the Plan. The Debtors are **NOT** soliciting votes from TIC 0 Classes 1, 3, 4 or 5, or TIC Member Class 1, because the Claims or Interests in those Classes are “unimpaired” and thus, pursuant to section 1126(f) of the Bankruptcy Code, are conclusively presumed to have accepted the Plan.

For a detailed description of the foregoing Classes of Claims and Interests, as well as their respective treatment under the Plan, see Article IV of this Disclosure Statement.

Solicitation Package

Article V of this Disclosure Statement specifies the deadlines, procedures and instructions for those entitled to accept or reject the Plan and the applicable standards for tabulating ballots. An appropriate return envelope will be included with the ballot, which the Holder must use to return its ballot to ensure that its votes will be counted.

The Holder of the TIC 0 Class 2 Noteholder Secured Claim is entitled to vote to accept or reject the Plan and may vote by completing, dating, signing and mailing or otherwise delivering the accompanying ballot to counsel for the Debtors (the “Voting Agent”) at:

Kaye Scholer LLP
70 West Madison Street, Suite 4200
Chicago, Illinois 60602-4231
Attn: D. Tyler Nurnberg and Seth J. Kleinman

IN ORDER FOR YOUR BALLOT TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE VOTING AGENT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN PRIOR TO []:00 P.M., CENTRAL TIME, ON [], 2014 (THE “VOTING DEADLINE”). ANY BALLOT NOT ACTUALLY RECEIVED BY THE VOTING AGENT BY THE VOTING DEADLINE SHALL NOT BE COUNTED.

The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan (the “Confirmation Hearing”). The Bankruptcy Court has scheduled the Confirmation Hearing to commence on [], 2014, at []: [] [].m. (prevailing Central Time), or as soon thereafter as counsel may be heard, before the Honorable Jack B. Schmetterer, United States Bankruptcy Judge for the United States Bankruptcy Court for the Northern District of Illinois, Courtroom 682, 219 South Dearborn Street, Chicago, Illinois 60604. The Confirmation Hearing may be adjourned from time to time without further notice.

Objections to the Plan

Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of the Plan. Any such objections must be filed and served so as to be received by the Debtors, and certain other parties, on or before [], 2014, at []: [] [].m. (prevailing Central Time), in accordance with the order approving this Disclosure Statement (the “Disclosure Statement Order”), which is annexed hereto as Appendix C. **OBJECTIONS THAT HAVE NOT BEEN TIMELY SERVED AND FILED IN COMPLIANCE WITH THE TERMS OF THE DISCLOSURE STATEMENT ORDER WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

Confirming and Consummating the Plan

It shall be a condition precedent to confirmation of the Plan that the Confirmation Order has been entered on the docket maintained by the Clerk of the Bankruptcy Court. Furthermore, it shall be a condition precedent to the Effective Date that, among other things: (i) the Confirmation Order is a Final Order; (ii) the Confirmation Order provides that the Debtors and the Reorganized Debtors are authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, and other agreements or documents created in connection with the Plan; (iii) the provisions of the Confirmation Order are non-severable and mutually dependent; (iv) in the event that the Approved Purchaser is the Purchaser, the New Organizational Documents shall have been executed and delivered by all parties thereto, and all conditions precedent thereto shall have been satisfied; and (v) the Conveyance Documents shall have been executed and delivered by the parties thereto, and all conditions precedent thereto shall have been satisfied. In addition, in

order to transfer the Property, (a) each TIC shall have elected in the TIC Consent to be a Participating TIC Non-Investor or an Electing TIC Investor, or (b) a final judgment in the Section 363(h) Adversary Proceeding shall be enforced compelling the sale of such Non-Participating TIC's interest in the Property. In addition, certain other conditions contained in the Plan must be satisfied or waived for the Plan to be confirmed and consummated pursuant to the provisions of Article X of the Plan. For further information, see Section 4.9 of this Disclosure Statement.

Risk Factors

Prior to deciding whether and how to vote on the Plan, parties entitled to vote are strongly encouraged to review this Disclosure Statement carefully and in its entirety, especially the risk factors in Article VIII hereof.

Recommendation

The manager of the Debtors, NNN Realty Investors, LLC ("NNN Realty"), has approved the solicitation procedures, the Plan and the transactions contemplated thereby and hereby, and recommend that the voting party submit its ballot to accept the Plan.

PLEASE READ THIS IMPORTANT INFORMATION

THE BANKRUPTCY CODE REQUIRES THAT THE PARTY PROPOSING A CHAPTER 11 PLAN OF REORGANIZATION PREPARE AND FILE THIS DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT INCLUDES CERTAIN EXHIBITS, EACH OF WHICH ARE INCORPORATED INTO AND MADE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.

THE BANKRUPTCY COURT HAS REVIEWED THIS DISCLOSURE STATEMENT, AND HAS DETERMINED THAT IT CONTAINS ADEQUATE INFORMATION AND MAY BE SENT TO YOU TO SOLICIT YOUR VOTE TO ACCEPT THE PLAN.

ALL PARTIES ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING THE RISK FACTORS SET FORTH HEREIN AND THE PLAN ATTACHED HERETO, BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

THE STATEMENTS AND OTHER INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT WERE MADE AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFIED. PARTIES REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE DATE SET FORTH ON THE COVER PAGE HEREOF. PARTIES ENTITLED TO VOTE MUST RELY ON THEIR OWN EVALUATION OF THE DEBTORS AND THEIR OWN ANALYSIS OF THE TERMS OF THE PLAN IN DECIDING WHETHER TO ACCEPT OR REJECT THE PLAN.

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT SOLELY FOR PURPOSES OF SOLICITING PARTIES ENTITLED TO VOTE

TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY PERSON FOR ANY OTHER PURPOSE. THE CONTENTS OF THIS DISCLOSURE STATEMENT SHALL NOT BE DEEMED AS PROVIDING ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE. THE DEBTORS URGE EACH HOLDER OF A CLAIM OR INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY SUCH LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT AND THE PLAN. MOREOVER, THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER FOR ANY PURPOSE WHATSOEVER.

THE DEBTORS HAVE NOT AUTHORIZED ANY PARTY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OR THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. PARTIES ENTITLED TO VOTE SHOULD NOT RELY UPON ANY OTHER INFORMATION, REPRESENTATIONS, OR INDUCEMENTS MADE TO OBTAIN ACCEPTANCE OR REJECTION OF THE PLAN.

THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE PLAN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH ANY FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT WAS PREPARED TO PROVIDE HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS WITH "ADEQUATE INFORMATION" (AS DEFINED IN THE BANKRUPTCY CODE) SO THAT THEY CAN MAKE AN INFORMED JUDGMENT ABOUT THE PLAN. NEITHER THIS DISCLOSURE STATEMENT NOR THE PLAN HAS BEEN FILED WITH OR REVIEWED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE UNDER ANY STATE SECURITIES LAW. THE PLAN HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION AND NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN.

THERE EXISTS SUBSTANTIAL UNCERTAINTY REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO HOLDERS OF CLAIMS AGAINST THE DEBTORS AND INTERESTS IN THE DEBTORS DUE TO THE UNSETTLED STATE OF THE TAX LAW GOVERNING BANKRUPTCY REORGANIZATIONS. NO RULINGS HAVE BEEN OR WILL BE REQUESTED FROM THE INTERNAL REVENUE SERVICE (THE "IRS") WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN. FURTHER, THE TAX CONSEQUENCES OF THE PLAN TO HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS AND MAY

VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER. IN ADDITION, THERE MAY BE U.S. STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES OF THE PLAN APPLICABLE TO PARTICULAR HOLDERS OF CLAIMS OR HOLDERS OF INTERESTS. NEITHER THIS DISCLOSURE STATEMENT NOR THE PLAN ARE A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM AGAINST THE DEBTORS. YOU ARE URGED TO CONSULT WITH YOUR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES.

THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN PROVISIONS OF THE PLAN, RELATED DOCUMENTS, SUMMARY FINANCIAL INFORMATION AND CERTAIN RISK FACTORS. THE DEBTORS BELIEVE THESE SUMMARIES ARE FAIR AND ACCURATE. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR THE OTHER DOCUMENTS OR FINANCIAL INFORMATION INCORPORATED HEREIN BY REFERENCE, THE PLAN, OR SUCH OTHER DOCUMENTS, AS APPLICABLE, SHALL GOVERN FOR ALL PURPOSES.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

THIS DISCLOSURE STATEMENT CONTAINS BOTH HISTORICAL AND FORWARD-LOOKING STATEMENTS. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACT INCLUDED IN THIS DISCLOSURE STATEMENT THAT ADDRESS ACTIVITIES, EVENTS OR DEVELOPMENTS THAT THE DEBTORS EXPECT, BELIEVE OR ANTICIPATE WILL OR MAY OCCUR IN THE FUTURE ARE FORWARD-LOOKING STATEMENTS, INCLUDING, WITHOUT LIMITATION, THE STATEMENTS ABOUT THE DEBTORS' PLANS, OBJECTIVES, STRATEGIES AND PROSPECTS REGARDING, AMONG OTHER THINGS, THE DEBTORS' FINANCIAL CONDITION, RESULTS OF OPERATIONS AND BUSINESS. THE DEBTORS HAVE IDENTIFIED SOME OF THESE FORWARD-LOOKING STATEMENTS WITH WORDS LIKE "BELIEVE," "MAY," "WILL," "SHOULD," "EXPECT," "INTEND," "PLAN," "PREDICT," "ANTICIPATE," "ESTIMATE" OR "CONTINUE" AND OTHER WORDS AND TERMS OF SIMILAR MEANING. THESE FORWARD-LOOKING STATEMENTS ARE CONTAINED THROUGHOUT THIS DISCLOSURE STATEMENT, ARE BASED ON CURRENT EXPECTATIONS ABOUT FUTURE EVENTS AFFECTING THE DEBTORS, THE REORGANIZED DEBTORS AND THE PROPERTY, AND ARE SUBJECT TO UNCERTAINTIES AND FACTORS RELATING TO THE OPERATIONS OF THE PROPERTY, BUSINESS ENVIRONMENT, AND DISCUSSIONS WITH CREDITORS. ALL SUCH MATTERS ARE DIFFICULT TO PREDICT AND MANY ARE BEYOND THE DEBTORS' CONTROL AND COULD CAUSE THE DEBTORS' ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE MATTERS EXPRESSED OR IMPLIED BY FORWARD-LOOKING STATEMENTS. MANY FACTORS MENTIONED IN THE DEBTORS' DISCUSSION IN THIS DISCLOSURE STATEMENT WILL BE IMPORTANT IN DETERMINING FUTURE RESULTS. ALTHOUGH THE DEBTORS BELIEVE THAT THE EXPECTATIONS REFLECTED IN THESE FORWARD-LOOKING STATEMENTS

ARE REASONABLE, THE DEBTORS CANNOT GUARANTEE FUTURE RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS OF THE PROPERTY. FORWARD-LOOKING STATEMENTS (INCLUDING ORAL REPRESENTATIONS) ARE ONLY PREDICTIONS OR STATEMENTS OF CURRENT PLANS, WHICH THE DEBTORS REVIEW CONTINUOUSLY. THEY CAN BE AFFECTED BY INACCURATE ASSUMPTIONS THE DEBTORS MIGHT MAKE OR BY KNOWN OR UNKNOWN RISKS AND UNCERTAINTIES.

MOREOVER, NEITHER OF THE DEBTORS ARE THE PROPERTY'S MANAGER. CERTAIN INFORMATION REGARDING THE PROPERTY CONTAINED HEREIN HAS BEEN OBTAINED FROM THOMPSON NATIONAL PROPERTIES, LLP OR ITS AFFILIATES ("TNP"), WHICH IS NOT AFFILIATED WITH THE DEBTORS. THE INFORMATION THE DEBTORS HAVE REGARDING THE PROPERTY IS LIMITED, AND THERE CAN BE NO ASSURANCE THAT SUCH INFORMATION IS ACCURATE OR COMPLETE. EACH HOLDER OF A CLAIM AND EACH INTEREST HOLDER MUST RELY ON ITS OWN DUE DILIGENCE OF THE PROPERTY AND ANY INFORMATION IT MAY OBTAIN REGARDING THE PROPERTY.

BECAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE PROPERTY COULD DIFFER MATERIALLY FROM THOSE EXPRESSED IN, OR IMPLIED BY, THESE FORWARD-LOOKING STATEMENTS, THE DEBTORS CANNOT GIVE ANY ASSURANCE THAT ANY OF THE EVENTS ANTICIPATED BY THESE FORWARD-LOOKING STATEMENTS WILL OCCUR OR, IF ANY OF THEM DO, WHAT IMPACT THEY WILL HAVE ON THE PROPERTY OR THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF THE PROPERTY. YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE OF THIS DISCLOSURE STATEMENT. THE DEBTORS DO NOT UNDERTAKE ANY OBLIGATION TO UPDATE THESE FORWARD-LOOKING STATEMENTS TO REFLECT NEW INFORMATION, FUTURE EVENTS OR OTHERWISE, EXCEPT AS MAY BE REQUIRED UNDER APPLICABLE LAW.

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Appendix B	Approved Purchaser Organizational Chart
Appendix C	Order Approving the Disclosure Statement
Appendix D	2013 Annual Income Statements for the Property
Appendix E	Property's Liquidation Analysis ⁵
Appendix F	Property's Preliminary Financial Projections

⁵ The Liquidation Analysis will be included in the Disclosure Statement as soon as practicable and, in any case, prior to the hearing on approval of the Disclosure Statement.

ARTICLE I.

BACKGROUND

1.1. Introduction

On the Petition Date, October 4, 2013, each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. Over the course of the next several months, the Debtors engaged in restructuring discussions with the Noteholder, which holds approximately \$135 million in principal amount of mortgage debt secured by a first-lien against the Property. On February 21, 2014, the Debtors, the Noteholder, and two proposed new capital providers executed a restructuring support agreement (as amended from time to time, the “RSA”). In relevant part, the RSA sets forth the terms of the Plan. That same date, the Debtors filed a motion [Docket No. 104] seeking, among other things, the Bankruptcy Court’s approval of the RSA. The Court approved the RSA by order dated April 17, 2014 [Docket No. 194].

The Plan provides for the sale of the Property through competitive bidding and an auction process, pursuant to Bid/Sale Procedures approved by the Court by order dated [_____] [Docket No. ____]. The “stalking horse” bidder is the Approved Purchaser.

- If the Approved Purchaser is the Purchaser of the Property, the Plan will pay in full, in Cash, all Administrative Claims, Priority Tax Claims, Other Priority Claims and General Unsecured Claims, to the extent such claims are Allowed Claims, and Holders of Interests in TIC 0 and TIC Member will retain such interests. As part of the proposed transaction, the Approved Purchaser is also proposing to assume the Loan, with certain modifications negotiated with the Noteholder, which assumption will be in the treatment of the Allowed Noteholder Secured Claim in TIC 0 Class 2.

- If, a Non-Proposed Purchaser is the Purchaser of the Property, (1) the Holders of Allowed Claims in TIC 0 Classes 1, 2 and 3 will receive distributions under the Plan equal to the full amount of such Allowed Claims, (2) the Holders of Allowed Claims in TIC 0 Class 4 shall receive their pro rata shares of the Debtors’ pro rata sale proceeds, if any, after giving effect to Distributions to Allowed Claims in TIC 0 Classes 1, 2, and 3, and (3) (a) the Holders of Interests in TIC Member Class 1 shall receive their pro rata share of the Debtors’ pro rata sale proceeds after giving effect to Distributions in Allowed Claims in higher priority Classes and (b) all such Interests shall be cancelled.

The Debtors hereby transmit this Disclosure Statement to Holders of Claims against and Interests in the Debtors, pursuant to section 1125 of the Bankruptcy Code, for use in connection with (i) the solicitation of acceptances and rejections of the Plan, and (ii) the Confirmation Hearing scheduled for _____, 2014, at __:__ .m. (prevailing Central Time). A copy of the Plan is annexed to this Disclosure Statement as Appendix A.

The Debtors are the “proponents” of the Plan within the meaning of section 1129 of the Bankruptcy Code. No materials other than this Disclosure Statement and any exhibits and schedules attached thereto or referenced therein have been authorized by the Bankruptcy Court or the Debtors for use in soliciting acceptances or rejections of the Plan.

1.2. Corporate Structure

The Debtors are each duly organized as Delaware limited liability companies. TIC 0 was formed on August 8, 2005. TIC Member was formed on September 13, 2005. TIC Member is the sole member of TIC 0 and owns 100% of the membership interests of TIC 0.

1.3. The Debtors and Their Business

TIC Member's principal asset is its 100% ownership of TIC 0. TIC 0's principal asset is its interest in the real property located at 123 N. Wacker Drive, Chicago, Illinois, as improved by a 30-story Class A office building with approximately 541,000 rentable square feet (the "Property"). TIC 0 is one of 33 single purpose limited liability companies (each a "TIC" and, collectively with TIC 0, the "TICs") that, together, hold 100% of fee title to the Property as tenants in common.⁶ TIC 0 owns an undivided 13.917% interest in the Property, making it the single largest owner. The Property is currently managed by TNP.

1.4. Capital Structure

The TICs purchased the Property in September 2005 for a purchase price of approximately \$175 million. The purchase was financed through a two-tranche mortgage loan in the total principal amount of \$136 million (the "Loan"). The Loan was evidenced by (i) a promissory note in the principal amount of \$122 million (the "A Note") and (ii) a promissory note in the principal amount of \$14 million (the "B Note", and with the A Note, the "Notes").

The TICs are jointly and severally liable under the Notes.

Wells Fargo Bank, N.A. is the trustee and successor collateral agent for the registered holders of GE Commercial Mortgage Corporation, Commercial Mortgage Pass-Through Certificates, Series 2005-C4 (in such capacity, the "A Note Holder") and (ii) Wells Fargo Bank, National Association, a national banking association, is the trustee for the beneficial owners of N-Star REL CDO VI Grantor Trust, Series H (in such capacity, the "B Note Holder" and, together with the A Note Holder, the "Noteholder"). As of the Petition Date the Loan was administered by C-III Asset Management LLC, as special servicer. The Loan is currently administered by LNR Partners LLC, as special servicer.

⁶ The other 32 TICs, none of which are debtors herein, consist of: NNN 123 North Wacker 1, LLC, NNN 123 North Wacker 3, LLC, NNN 123 North Wacker 4, LLC, NNN 123 North Wacker 5, LLC, NNN 123 North Wacker 6, LLC, NNN 123 North Wacker 7, LLC, NNN 123 North Wacker 8, LLC, NNN 123 North Wacker 9, LLC, NNN 123 North Wacker 10, LLC, NNN 123 North Wacker 13, LLC, NNN 123 North Wacker 14, LLC, NNN 123 North Wacker 15, LLC, NNN 123 North Wacker 16, LLC, NNN 123 North Wacker 18, LLC, NNN 123 North Wacker 19, LLC, NNN 123 North Wacker 20, LLC, NNN 123 North Wacker 22, LLC, NNN 123 North Wacker 23, LLC, NNN 123 North Wacker 25, LLC, NNN 123 North Wacker 26, LLC, NNN 123 North Wacker 27, LLC, NNN 123 North Wacker 28, LLC, NNN 123 North Wacker 29, LLC, NNN 123 North Wacker 30, LLC, NNN 123 North Wacker 31, LLC, NNN 123 North Wacker 33, LLC, NNN 123 North Wacker 37, LLC, NNN 123 North Wacker 38, LLC, NNN 123 North Wacker 39, LLC, NNN 123 North Wacker 40, LLC, NNN 123 North Wacker 41, LLC and NNN 123 North Wacker 42, LLC.

The Notes are secured by, among other things, (i) a mortgage, assignment of leases and rents, security agreement and fixture filing, and (ii) an assignment of leases and rents, both dated September 28, 2005 (the “Security Documents” and, with the Notes and all other loan documents executed in connection with the Notes and the Security Documents, the “Loan Documents”).

The balance outstanding on the Notes is not less than \$[_____], consisting of an outstanding principal amount as of the Petition Date of \$134,550,505.86, plus accrued interest as of the Petition Date of [\$_____], plus fees and costs under the Loan Documents.⁷

In addition, as of the Petition Date, the Debtors estimate that unsecured creditors hold approximately \$520,000 in unsecured, non-priority claims.

A copy of the 2013 income statements for the Property are attached as Appendix D hereto.⁸ Information contained in Appendix D has been obtained from TNP, which is not affiliated with the Debtors. As previously noted, the information the Debtors have regarding the Property is limited, and there can be no assurance that such information is accurate or complete.

1.5. Events Leading to Chapter 11

The TICs acquired the Property near the height of the real estate market in 2005. The Property has since struggled to produce income sufficient to service the mortgage debt.

In November 2010, the payment obligation under the A Note shifted from interest only payments to a regular amortization schedule, further impairing the TICs’ ability to service the Notes. In September 2011, the Notes were modified by agreement with the Noteholder to permit interest only payments, in connection with which the TICs invested additional sums in the Property that were advanced by affiliates of TNP. As of September 2013, the TICs were in default under the Notes, including payment default, and are unable to repay the Notes in full.

ARTICLE II. MANAGEMENT OF THE DEBTORS

NNN Realty is the duly-authorized manager of TIC Member. The following is a list of the senior management of NNN Realty as of the Petition Date:

Name	Position(s)
Todd A. Mikles	President
Steven Kries ⁹	Executive Vice President & General Counsel

⁷ The Debtors have requested from the Noteholder the total amount of its claim. That request is currently pending. The total amount of the Noteholder’s claim will be included in the Disclosure Statement as soon as practicable and, in any case, prior to the hearing on approval of the Disclosure Statement.

⁸ TIC Member’s asset is its 100% ownership of TIC 0. Other than a nominal amount of Cash on hand, TIC 0’s principal asset is its interest in the Property.

⁹ Mr. Kries was removed as an officer of NNN Realty effective as of January 13, 2014.

Robert K. Sparks Secretary

ARTICLE III. EVENTS DURING THE CHAPTER 11 CASES

3.1. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Chapter 11 authorizes a debtor to reorganize its business for its benefit and its creditors and equity interest holders. Commencing a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a “debtor-in-possession.”

The principal objective of a chapter 11 case is to consummate a plan of reorganization. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by a bankruptcy court binds a debtor, any issuer of securities thereunder, any person acquiring property under the plan, any creditor or equity interest holder of a debtor, and any other person or entity as may be ordered by the bankruptcy court to such plan. Chapter 11 requires that a plan treat similarly situated creditors and similarly situated equity interest holders equally, subject to the priority provisions of the Bankruptcy Code.

Subject to certain limited exceptions, a bankruptcy court order confirming a plan of reorganization discharges a debtor from any debt that arose prior to the date of confirmation of the plan and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

Prior to soliciting acceptances of a proposed plan of reorganization, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the plan of reorganization. This Disclosure Statement is submitted in accordance with section 1125 of the Bankruptcy Code.

3.2. Commencement of the Chapter 11 Cases; Continuation of Business

On the Petition Date, October 4, 2013, each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors are continuing to operate their business and manage their affairs as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3.3. Automatic Stay

An immediate effect of the filing of the Debtors’ bankruptcy petitions was the imposition of the automatic stay under section 362 of the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by creditors, the enforcement of liens against a debtor’s property and the continuation of litigation against a debtor.

3.4. The RSA and the Sale

Following months of arm's length negotiations, the Debtors, the Noteholder, ND Investment-123 N. Wacker-T, LLC ("ND Investment"), which is an affiliate of the holders of the B Note, and Sovereign Capital Management Group, Inc. ("Sovereign") agreed to terms for the proposed sale, restructuring and recapitalization of the Property. The terms of that agreement were set forth in the RSA, which the parties signed on February 21, 2014. The Debtors' entry into the RSA was subject in all respects to approval of the RSA by the Bankruptcy Court. The RSA was binding immediately on all other parties thereto.

That same date, February 21, 2014, the Debtors filed a motion [Docket No. 104] seeking, among other things, approval of the RSA.

On March 13, 2014, the parties amended the RSA to extend certain deadlines.

The Plan provides for the sale of the Property, subject to a competitive bidding process and a potential auction (the "Auction"), all in accordance with Bid/Sale Procedures approved by the Bankruptcy Court by order entered on [_____] [Docket No. ____]. The Bankruptcy Court approved the RSA by order dated April 17, 2014 [Docket No. 194].

In the event that the Approved Purchaser is the Purchaser of the Property, the Approved Purchaser has agreed to: (i) assume the Noteholder's existing mortgage debt in the full principal amount of approximately \$134.5 million, with certain modifications negotiated with the Noteholder and set forth in the Loan Modification Documents, and (ii) invest an additional \$12-15 million as new equity capital to fund the business plan and pay certain transaction costs.

The proposed transaction with the Approved Purchaser is structured so that each TIC may elect to execute a TIC Consent and become (i) a Participating TIC Non-Investor (by exchanging its existing tenant in common interests in the Property for limited interests in the Approved Purchaser's Parent), or (ii) an Electing TIC Investor (by exchanging its existing tenant in common interests in the Property for limited interests in the Parent and also investing additional money to acquire its pro rata share of 10% (excluding the percentage currently held by TIC 0) of the new equity of Sovereign/TIC. The exchange of the foregoing TICs' existing interests in the Property for limited interests in the Parent will be structured in a manner intended to permit the TICs who execute TIC Consents to continue to defer taxable gains on sales from prior "like kind" exchanges of real property under section 1031 of the Internal Revenue Code.

If the Approved Purchaser is the Purchaser, ND Investment will contribute 90% of the new equity in the ultimate manager of Approved Purchaser. The remaining 10% (excluding the percentage currently held by TIC 0) will be offered to those TICs (other than TIC 0) that want to invest new money in the venture according to their existing ownership percentage in the Property. Any portion of the equity not raised from TICs will be contributed by Sovereign. Sovereign will also provide a new guaranty for the assumed Loan.

On March 20, 2014, the Debtors commenced an adversary proceeding (the "TIC Adversary Proceeding") against the Non-Debtor TICs to compel the sale of the Property pursuant to sections 363(b) and (h) of the Bankruptcy Code. In the event that any TICs choose

not to become a Participating TIC Non-Investor or an Electing TIC Investor, the Debtors intend to pursue judgment in the TIC Adversary Proceeding to compel the sale of the Property.

3.5. Material Bankruptcy Court Orders

Various forms of relief were sought and obtained from the Bankruptcy Court during the Chapter 11 Cases, including orders providing for the following:

- the joint administration of the Debtors' bankruptcy cases [Docket No. 57];
- the retention of Kaye Scholer LLP ("Kaye Scholer") as counsel to the Debtors [Docket No. 60];
- an extension of exclusive periods for the Debtors to file a plan and solicit plan acceptances thereof [Docket No. 99];
- the Debtors' use of Cash collateral on an interim basis and the granting of adequate protection [Docket Nos. 68, 77, 164]
- approval of the Debtors' entry into the RSA, the TIC Consent and the Initial Release, and granting certain related relief [Docket No. 194]; and
- approval of the Bid/Sale Procedures [Docket No. ____].

3.6. Summary of Claims Process, Bar Date and Claims Filed

(a) Schedules and Statements of Financial Affairs

On October 18, 2013, each Debtor filed its respective Schedule of Assets and Liabilities and Statement of Financial Affairs (collectively the "Schedules") with the Bankruptcy Court [Docket Nos. 17, 19]. On November 14, 2013, certain Schedules were amended [Docket Nos. 45, 47]. Among other things, the Schedules set forth the Claims of known creditors against the Debtors as of the Petition Date based upon the Debtors' books and records.

The Debtors' assets are its 13.97% tenant-in-common interest in the Property. The Debtors' liabilities include all amounts due and owing under the Loan and certain other unsecured loan obligations.

(b) Financial History During Chapter 11 Cases

The Debtors are continuing to operate their business and manage their affairs as debtors-in-possession. They have filed regular reports summarizing cash receipts and disbursements by the Debtors during these Chapter 11 Cases. [Docket Nos. 55, 73, 75, 86, 88, 105, 107, 137, 139].

(c) Claims Bar Date

On November 21, 2013, the Bankruptcy Court entered an order [Docket No. 58] establishing January 3, 2014 (the "Bar Date") as the general deadline for filing claims against the Debtors and April 2, 2014 as the deadline for foreign creditors and governmental units to file

claims. The Debtors mailed a Bar Date notice and proof of claim form to each person or entity listed in the Schedules.

(d) Proofs of Claim

As of April 1, 2014, approximately 50 proofs of claim had been filed against the Debtors. On February 28, 2014, the Debtors filed the TIC 0 Omnibus Objection, TIC 0 Claim No. 16 Objection, TIC 0 Claim No. 21 Objection and the TIC Member Omnibus Objections and two stand-alone objections to claims. The TIC 0 Omnibus Objection, TIC 0 Claim No. 16 Objection and the TIC Member Omnibus Objection remain pending before the Court. The Court conditionally denied the TIC 0 Claim No. 21 Objection.

Based upon their review of scheduled, settled and asserted claims, the Debtors estimate that the amount of Allowed General Unsecured Claims will be in the range of \$0 to \$520,000.

**ARTICLE IV.
SUMMARY OF THE PLAN**

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE, ACCEPTANCE OR REJECTION, AND MEANS FOR IMPLEMENTATION OF THE PLAN, AND OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN (AS WELL AS THE EXHIBITS THERETO AND DEFINITIONS THEREIN), WHICH IS ANNEXED TO THIS DISCLOSURE STATEMENT AS APPENDIX A.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND THE PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN CONTROL THE ACTUAL TREATMENT OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS UNDER THE PLAN AND WILL, UPON OCCURRENCE OF THE EFFECTIVE DATE, BE BINDING UPON ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS, THEIR ESTATES, ALL PARTIES RECEIVING OR RETAINING PROPERTY OR AN INTEREST IN PROPERTY UNDER THE PLAN, AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT, ON THE ONE HAND, AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, ON THE OTHER HAND, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

4.1. Overall Structure of the Plan

The Plan provides for substantive consolidation of the Debtors' Estates, but solely for purposes of voting, confirmation, and making distributions to the Holders of Allowed Claims or Interests under the Plan. Under the Plan, Claims against and Interests in the Debtors are divided into six (6) Classes according to their relative priority and other criteria.

- If the Plan is confirmed by the Bankruptcy Court and consummated, and if the Approved Purchaser is the Purchaser of the Property, (1) the Holders of Allowed Claims in TIC 0 Classes 1, 3 and 4 will receive distributions under the Plan equal to the full amount of such Allowed Claims, (2) the Approved Purchaser shall assume the Loan as modified pursuant to the Loan Modification Documents in treatment of Allowed Noteholder Secured Claim (TIC 0 Class 2, and (3) the Holders of Interests in TIC 0 Class 5 and TIC Member Class 1 will retain their Interests in the Reorganized Debtors.
- If the Plan is confirmed by the Bankruptcy Court and consummated, and if a Non-Proposed Purchaser is the Purchaser of the Property, (1) the Holders of Allowed Claims in TIC 0 Classes 1, 2 and 3 will receive distributions under the Plan equal to the full amount of such Allowed Claims, (2) the Holders of Allowed Claims in TIC 0 Class 4 shall receive their pro rata shares of the Debtors' pro rata sale proceeds, if any, after giving effect to Distributions to Allowed Claims in TIC 0 Classes 1, 2, and 3, and (3) (a) the Holders of all Interests in TIC 0 Class 5 and TIC Member Class 1 shall receive their pro rata shares of the Debtors' pro rata sale proceeds after giving effect to Distributions in Allowed Claims in higher priority Classes and (b) all such Interests shall be cancelled.

4.2. Classification and Treatment of Claims and Interests

Section 1123 of the Bankruptcy Code provides that a plan of reorganization must classify the claims and interests of a debtor's creditors and interest holders. In accordance with section 1123, the Plan divides Claims and Interests into Classes and sets forth the treatment for each Class (other than Administrative Claims and Priority Tax Claims which, pursuant to section 1123(a)(1), need not be and have not been classified). The Debtors also are required, under section 1122 Bankruptcy Code, to classify Claims against and Interests in the Debtors into Classes that contain Claims and Interests that are substantially similar to the other Claims and Interests in such Class.

The Debtors believe that the Plan classifies all Claims and Interests in compliance with the provisions of section 1122 of the Bankruptcy Code. If a Holder of a Claim or Interest challenges such classification and the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Debtors, to the extent permitted by the Bankruptcy Code, the Plan and the Bankruptcy Court, intend to make such reasonable modifications of the classifications of Claims or Interests under the Plan to provide for whatever classification might be required by the Bankruptcy Court for confirmation. Except to the extent that such modification of classification adversely affects the treatment of a Holder of a Claim or Interest and requires re-solicitation, acceptance of the Plan by any holder of a Claim pursuant to this

solicitation will be deemed to be a consent to the Plan's treatment of such Holder of a Claim or Interest regardless of the Class as to which such Holder ultimately is deemed to be a member.

The amount of any Claim that ultimately is Allowed by the Bankruptcy Court may vary from the estimated Allowed amount of such Claim and, accordingly, the total Claims ultimately Allowed by the Bankruptcy Court may vary from the estimates contained in the Plan. There can be no assurance that the actual aggregate amounts of allowed Claims in a Class will not materially exceed the aggregate amounts estimated by the Debtors. Thus, no representation can be or is being made with respect to the accuracy of the expected percentage recovery by the Holder of an Allowed Claim in any particular Class.

The classification of Claims and Interests and the nature of distributions to members of each Class are summarized below. The Debtors believe that the consideration provided under the Plan to Holders of Claims and Interests reflects an appropriate resolution of their Claims and Interests, taking into account the differing nature and priority of such Claims and Interests.

A Claim is in a particular Class only to the extent that such Claim is Allowed and has not been paid, released, or otherwise satisfied prior to the Effective Date. Notwithstanding any Distribution provided for in the Plan, no Distribution on account of any Claim is required or permitted unless and until such Claim becomes an Allowed Claim which might not occur, if at all, until after the Effective Date.

For classification and voting purposes, the Plan assumes that the Approved Purchaser will be the Purchaser of the Property on the Effective Date. All Claims (except for Administrative Claims and Priority Tax Claims, which are not classified pursuant to section 1123(a)(1) of the Bankruptcy Code) are classified as follows:

(a) *TIC 0 Class 1 — Other Priority Claims against TIC 0*

(i) *Classification:* TIC 0 Class 1 consists of Other Priority Claims against TIC 0.

(ii) *Treatment:* On, or as soon as reasonably practicable after, the latest of (a) the Effective Date, (b) the date such Other Priority Claim becomes an Allowed Other Priority Claim, and (c) the date such Other Priority Claim becomes payable pursuant to any agreement between the Debtors or Reorganized Debtors and the Holder of such Other Priority Claim, each Holder of an Allowed Other Priority Claim as of the Distribution Record Date shall receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Other Priority Claim, one of the following treatments: (i) full payment in Cash of its Allowed Other Priority Claim, or (ii) such other treatment as may be agreed to by such Holder with the Debtors or Reorganized Debtors, or, in the event the Approved Purchaser is the Purchaser, with the Approved Purchaser.

(iii) *Voting:* TIC 0 Class 1 is Unimpaired. Pursuant to section 1126(f) of the Bankruptcy Code, Holders of Other Priority Claims are conclusively presumed to have accepted the Plan without the need for solicitation of acceptances from the class.

(b) *TIC 0 Class 2 — Noteholder Secured Claim against TIC 0*

(i) *Classification:* TIC 0 Class 2 consists of the Allowed Noteholder Secured Claim against TIC 0.

(ii) *Treatment:* The Noteholder Secured Claim is Allowed in its entirety and is not subject to objection, disallowance or subordination. In treatment of such Allowed Noteholder Secured Claim, (X) in the event that the Approved Purchaser is the Purchaser, then, in connection with the transfer of the Property to the Approved Purchaser on the Effective Date, the Approved Purchaser shall, on the Effective Date, assume the Loan as modified pursuant to the Loan Modification Documents and execute and deliver the Loan Modification Documents to Noteholder and otherwise satisfy the conditions precedent set forth in the Loan Modification Documents and, in exchange, the Noteholder shall, subject to the satisfaction or waiver of the Noteholder Conditions Precedent, and subject to the Approved Purchaser taking the foregoing actions, (i) consent to the modifications to the Loan Documents set forth in the Loan Modification Documents, (ii) consent to the Approved Purchaser acquiring 100% fee title to the Property and assuming the Loan Documents as modified by the Loan Modification Documents, and (iii) consent to consideration under the Plan being distributed to other classes of Claims and Interests as set forth herein; or (Y) in the event that a Non-Proposed Purchaser is the Purchaser, then, on the Effective Date, the Noteholder shall receive (i) payment in Cash of the Sale Proceeds in an amount equal to the Allowed Noteholder Secured Claim, or (ii) such other treatment as may be agreed by the Noteholder in its sole discretion; provided, however, if the Noteholder is the Purchaser of the Property as a result of a Credit Bid (as defined in the Bid/Sale Procedures), the Noteholder shall not be entitled to a Cash payment on account of its Allowed Noteholder Secured Claim and the Allowed Noteholder Secured Claim shall be satisfied, settled, released, and discharged of and exchanged for 100% fee title to the Property; and provided, further, that, for the avoidance of doubt, the Noteholder shall have the absolute sole discretion to decline any requested assumption of the Loan in connection with a bid for the purchase of the Property from a Non-Proposed Purchaser.

(iii) *Voting:* TIC 0 Class 2 is Impaired, and the Holder of the Noteholder Secured Claim will be solicited with respect to the Plan.

(c) *TIC 0 Class 3 — Other Secured Claims against TIC 0*

(i) *Classification:* TIC 0 Class 3 consists of Other Secured Claims against TIC 0.

(ii) *Treatment:* On, or as soon as reasonably practicable after, the latest of (a) the Effective Date, (b) the date such Other Secured Claim becomes an Allowed Other Secured Claim, and (c) the date such Other Secured Claim becomes payable pursuant to any agreement between the Debtors or Reorganized Debtors and the Holder of such Other Secured Claim, each Holder of an Allowed Other Secured Claim as of the Distribution Record

Date shall receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Other Secured Claim, one of the following treatments: (i) full payment in Cash of its Allowed Other Secured Claim, or (ii) such other treatment as may be agreed to between the Holder and the Debtors or the Reorganized Debtors, or, in the event the Approved Purchaser is the Purchaser, the Approved Purchaser.

(iii) *Voting*: TIC 0 Class 3 is Unimpaired. Pursuant to section 1126(f) of the Bankruptcy Code, Holders of Other Secured Claims are conclusively presumed to have accepted the Plan without the need for solicitation of acceptances from the Class.

(d) *TIC 0 Class 4 — General Unsecured Claims against TIC 0*

(i) *Classification*: TIC 0 Class 3 consists of Other Secured Claims against TIC 0.

(ii) *Treatment*: Within thirty (30) days of, the latest of (a) the Effective Date, (b) the date such General Unsecured Claim becomes an Allowed General Unsecured Claim, and (c) the date such General Unsecured Claim becomes payable pursuant to any agreement between the Debtors or Reorganized Debtors and the Holder of such General Unsecured Claim, each Holder of an Allowed General Unsecured Claim as of the Distribution Record Date shall receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed General Unsecured Claim, (x) in the event that the Approved Purchaser is the Purchaser, one of the following treatments: (i) full payment in Cash of its Allowed General Unsecured Claim, or (ii) such other treatment as may be agreed to between the Holder and the Debtors or Reorganized Debtors, or, in the event the Approved Purchaser is the Purchaser, the Approved Purchaser; or (y)(i) in the event that a Non-Proposed Purchaser is the Purchaser, payment in Cash from the Debtors' pro rata share of Sale Proceeds of its Pro Rata Share after having given effect to Distributions to Allowed Claims in TIC 0 Classes 1, 2 and 3; or (ii) such other treatment as may be agreed between the Holder and the Debtors or Reorganized Debtors.

(iii) *Voting*: TIC 0 Class 4 is Unimpaired. Pursuant to section 1126(f) of the Bankruptcy Code, Holders of General Unsecured Claims are conclusively presumed to have accepted the Plan without the need for solicitation of acceptances from the Class.

(e) *TIC 0 Class 5 — TIC 0 Interests*

(i) *Classification*: TIC 0 Class 5 consists of all TIC 0 Interests.

(ii) *Treatment*: On the Effective Date, (X) in the event that the Approved Purchaser is the Purchaser, then Holders of TIC 0 Interests shall retain their TIC 0 Interests; or (Y) in the event that a Non-Proposed Purchaser if the Purchaser, in full satisfaction, settlement, release and discharge of and exchange for such Allowed TIC 0 Interest, (i) each such Holder as of the Distribution Record Date shall receive payment in Cash from the Debtors' pro rata share of Sale Proceeds of its Pro Rata Share of such proceeds after having given effect to Distributions to Allowed Claims in TIC 0 Classes 1, 2, 3 and 4; and (ii) all Interest in TIC 0 will be cancelled.

(iii) *Voting*: TIC 0 Class 5 is Unimpaired. Pursuant to section 1126(f) of the Bankruptcy Code, Holders of TIC 0 Interests are conclusively presumed to have accepted this Plan without the need for solicitation of acceptances from the Class.

(f) *TIC Member Class 1 — TIC Member Interests*

(i) *Classification*: TIC Member Class 1 consists of all TIC Member Interests.

(ii) *Treatment*: On the Effective Date, (X) in the event that the Approved Purchaser is the Purchaser, then the Holders of TIC Member Interests shall retain their TIC Member Interests; or (Y) in the event that a Non-Proposed Purchaser is the Purchaser, in full satisfaction, settlement, release and discharge of and exchange for such Allowed TIC Member Interests, (i) each such Holder as of the Distribution Record Date shall receive payment in Cash from the Debtors' pro rata share of Sale Proceeds of its Pro Rata Share of such proceeds after having given effect to Distributions to Allowed TIC 0 Claims and Interests, and (ii) all Interests of TIC Member shall be cancelled.

(iii) *Voting*: TIC Member Class 1 is Unimpaired. Pursuant to section 1126(f) of the Bankruptcy Code, Holders of TIC Member Interests are conclusively presumed to have accepted this Plan without the need for solicitation of acceptances from the Class.

(g) *Controversy Concerning Impairment*

If a controversy arises as to whether any Claims or Interests, or any Class of Claims or Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

(h) *Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code*

If all applicable requirements for Confirmation of the Plan are met as set forth in section 1129(a)(1) through (13) of the Bankruptcy Code except subsection (8) thereof, the Debtors may request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code, notwithstanding the requirements of section 1129(a)(8) thereof, on the bases that the Plan is fair and equitable, and does not discriminate unfairly, with respect to each Class of Claims or Interests that is Impaired under, and has not accepted, the Plan.

(i) *Settlements Between the Debtors or the Reorganized Debtors and Holders of Claims*

Notwithstanding the classification and treatment of Claims and Interests in Article III of the Plan, consistent with section 1123(a)(4), the Debtors or Reorganized Debtors may agree with the Holder of a Claim or Interest to provide such Holder with a less favorable treatment of its Allowed Claim or Interest than provided in Article III of the Plan.

4.3. Acceptance or Rejection of the Plan.

(a) *Voting Classes and Acceptance by an Impaired Class*

TIC 0 Class 2 is Impaired under the Plan and is entitled to vote to accept or reject the Plan. In accordance with section 1126(c) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims entitled to vote shall have accepted the Plan if the Plan is accepted by Holders of at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Claims in such Class that have timely and properly voted to accept or reject the Plan.

(b) *Presumed Acceptance of the Plan*

TIC 0 Classes 1, 3, 4 and 5, and TIC Member Class 1, are Unimpaired under the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, the Holders of Claims or Interests in such Classes are conclusively presumed to have accepted the Plan and, therefore, are not entitled to vote to accept or reject the Plan.

4.4. Means for Implementation of the Plan

(a) *Sale of the Property*

(i) *The Sale Event*

The Sale Event shall be conducted in accordance with the Bid/Sale Procedures and any other applicable orders of the Bankruptcy Court.

The Confirmation Order and any sale order entered by the Bankruptcy Court shall constitute express authorization by the Bankruptcy Court for:

(1) the sale of 100% of fee title to the Property to the Purchaser pursuant to sections 363, 365, 1123(a)(5)(D), 1123(b)(4), 1129(b)(2)(A), 1145 and 1146(a) of the Bankruptcy Code, on the terms and conditions of the Bid/Sale Procedures; provided, that, for the avoidance of doubt, a sale of the Property pursuant to section 363(h) of the Bankruptcy Code shall be subject in all respects to the rights of Non-Participating TICs, if any, to purchase the Property pursuant to section 363(i) of the Bankruptcy Code, but solely in accordance with the Bid/Sale Procedures; and

(2) that the foregoing sale of the Property shall be free and clear of all liens, claims and encumbrances except that (a) in the event that the Approved Purchaser is the Purchaser, then (x) the liens, claims and encumbrances held by Noteholder and created by the Loan Documents (as modified by the Loan Modification Documents) shall survive, and (y) the permitted encumbrances, if any, to be specified in the Loan Modification Documents or the Conveyance Documents, shall survive, and (b) in the event that a Non-Proposed Purchaser is the Purchaser, the permitted liens, claims and encumbrances, if any, to be specified in the Conveyance Documents, shall survive.

Upon Confirmation of the Plan, the Debtors shall be authorized to take any and all actions necessary to consummate the Sale Event.

(ii) Modification of the Loan Documents

In the event that the Approved Purchaser is the Purchaser, then, on the Effective Date, the Loan Documents shall be modified as set forth in the Loan Modification Documents and the Approved Purchaser, the Participating TIC Non-Investors, Electing TIC Investors, the TIC's respective guarantor affiliates and the Noteholder shall each deliver the executed Loan Modification Documents.

(iii) Transfer of the Property on the Effective Date

On the Effective Date, subject to the satisfaction or waiver of the Borrower Party Conditions Precedent (which may, for the avoidance of doubt, be satisfied concurrently with the Effective Date), the TICs, including TIC 0, shall convey and transfer fee title to 100% of the Property to the Purchaser, by either (i) signing and delivering to the Purchaser such deeds, bills of sale, assignments and other Conveyance Documents, including assignments of leases, as the Purchaser may reasonably request, or (ii) having a final judgment in the Section 363(h) Adversary Proceeding enforced compelling the sale of such Non-Participating TIC's interest in the Property. On the Effective Date, subject to the satisfaction or waiver of the Noteholder Conditions Precedent (which may, for the avoidance of doubt, be satisfied concurrently with the Effective Date), the Noteholder shall execute and deliver to the Purchaser any and all documents necessary to effectuate the transfer of the Property to the Purchaser, including, as applicable, the Loan Modification Documents (if, but only if, the Purchaser is the Approved Purchaser).

(iv) Exchange of TIC Interests

Except as otherwise provided in the Plan, the Participating TIC Non-Investors and Electing TIC Investors shall (x) execute and deliver all required documentation as set forth in the TIC Consent or as otherwise requested by the Purchaser (including the Loan Modification Document), (y) execute and deliver the Final Release to the Noteholder, and (z) make all required Cash contributions, if applicable, on or prior to the Effective Date into an escrow account. By operation of the Plan, TIC 0 shall be deemed a Participating TIC Non-Investor for all purposes.

In the event that the Approved Purchaser is the Purchaser, then, on the Effective Date, (i) each Participating TIC Non-Investor shall convey its interests in the Property to the Approved Purchaser in exchange for such TIC's Participating TIC Non-Investor Consideration, and (ii) each Electing TIC Investor shall convey its interests in the Property to the Approved Purchaser and contribute to Sovereign/TIC its Electing TIC Investor Contribution Amount in exchange for such TIC's Electing TIC Investor Consideration, and (iii) the Non-Participating TICs' interests in the Property shall be conveyed to the Approved Purchaser pursuant to the judgment(s) in favor of the Debtors in the TIC Adversary Proceeding.

(b) Capitalization and Operation of Approved Purchaser, Parent, Operator and Sovereign/TIC

(i) Capitalization and Operation of Approved Purchaser

In the event that the Approved Purchaser is the Purchaser, then, on or prior to the Effective Date, the Approved Purchaser shall be capitalized with Initial New Equity from Parent and it shall operate pursuant to the terms of the Approved Purchaser's Operating Agreement.

(ii) Capitalization and Operation of Parent

In the event that the Approved Purchaser is the Purchaser, then, on or prior to the Effective Date, Parent shall be initially capitalized with the Initial New Equity from Operator and it shall operate pursuant to the terms of the Parent's Operating Agreement. Any additional capital contributions to Parent shall come solely from Operator. Parent shall be managed by Operator, which shall have sole voting authority for Parent.

(iii) Capitalization and Operation of Operator

In the event that the Approved Purchaser is the Purchaser, then, on or prior to the Effective Date, Operator shall be capitalized by its members, ND Entity and Sovereign/TIC, with the Initial New Equity and it shall operate pursuant to the terms of Operator's Operating Agreement. The Initial New Equity shall be contributed by ND Entity and Sovereign/TIC, 90% and 10%, respectively. Each member of Operator shall be obligated to contribute Additional New Equity in accordance with the terms of Operator's Operating Agreement. The administrator of Operator shall be SIMCO and the manager of Operator shall be the ND Entity.

(iv) Capitalization and Operation of Sovereign/TIC

In the event that the Approved Purchaser is the Purchaser, then, on or prior to the Effective Date Sovereign/TIC shall be capitalized by its members, Sovereign and the Electing TIC Investors, with the Sovereign/TIC Contribution Amount. Pursuant to the TIC Consent, on or prior to the Effective Date, each Electing TIC Investor shall fund its Electing TIC Investor Contribution Amount into an escrow account. The amount, if any, of the Sovereign/TIC Contribution Amount that is unfunded by the Electing TIC Investors shall be funded by Sovereign on or prior to the Effective Date. Sovereign/TIC shall be managed by Sovereign, its managing member, and shall operate pursuant to the terms of the Sovereign/TIC Operating Agreement.

(c) Sources of Plan Consideration

Except as otherwise provided in the Plan, all amounts necessary for the Debtors or Reorganized Debtors to make Distributions pursuant to the Plan shall be funded (i) in the event the Approved Purchaser is the Purchaser, from the Approved Purchaser, or (ii) in the event a Non-Proposed Purchaser is the Purchaser, from the Sale Proceeds received by the Debtors on the Effective Date, if any, as a result of the Sale Event. In no event shall the Noteholder have any obligation to fund any such amounts.

The Approved Purchaser's agreement to fund Plan distributions is limited to the amount of total estimated Claims in Classes 1, 3 and 4 as provided in this Disclosure Statement.

Allowed Fee Claims shall be funded and paid in the manner provided in Section 2.5 of the Plan.

(d) Property Management

In the event that the Approved Purchaser is the Purchaser, then, on or prior to the Effective Date, the Property shall be managed by SIMCO pursuant to the terms of the Property Management Agreement.

(e) Final Release

On or prior to the Effective Date, the Final Release shall be executed and delivered by the Borrower Parties, all Participating TIC Non-Investors and all Electing TIC Investors, and the Final Release shall become effective on the Effective Date.

(f) Substantive Consolidation of Debtors for Purposes of Voting, Confirmation and Distribution

The Plan shall serve as a motion by the Debtors seeking entry of an order substantively consolidating each of the Estates of the Debtors into a single consolidated Estate, solely for the limited purposes of voting and confirmation. For the avoidance of doubt, the Plan shall not serve as a motion by the Debtors seeking entry of an order substantively consolidating the Plan for any other purposes. Notwithstanding anything in Section 5.6 of the Plan, all distributions under the Plan shall be made in accordance with Articles III and VII of the Plan.

If the Debtors' Estates are substantively consolidated in accordance with the Plan, then, on and after the Effective Date, all assets and liabilities (including Allowed Claims and Interests) of the Debtors, as applicable, shall be treated as though they were merged into one Estate solely for purposes of voting and confirmation. This limited substantive consolidation shall not affect the legal and organizational structure of the Debtors or the Reorganized Debtors, or their separate corporate existences or any prepetition or post-petition guarantees, Liens, or security interests that are required to be maintained under the Bankruptcy Code, under the Plan, or, with respect to executory contracts or unexpired leases that were assumed or entered into during the Chapter 11 Cases.

If the Debtors' Estates are not substantively consolidated in accordance with Section 5.6 of the Plan, then (i) the Plan shall be deemed to constitute a separate sub-plan for each Debtor, and each Class of Claims against or Interests in the Debtors shall be deemed to constitute separate sub-Classes of Claims against and Interests in each Debtor, (ii) the confirmation requirements of section 1129 of the Bankruptcy Code must be satisfied separately with respect to each sub-plan, (iii) any Claim against or Interest in TIC 0 or TIC Member shall be treated only as a Claim against or Interest in such Debtor, as applicable, for purposes of voting and confirmation, (iv) such Claims and Interests shall be administered as provided in the Plan, and (v) the Debtors shall not, nor shall they be required to, re-solicit votes with respect to the Plan, nor will the failure of the Bankruptcy Court to approve limited substantive consolidation of the Debtors alter the distributions set forth in the Plan.

(g) U.S. Trustee Fees

On the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors shall pay all U.S. Trustee Fees that are then due. Any U.S. Trustee Fees due thereafter shall be paid by each of the applicable Reorganized Debtors in the ordinary course until the earlier of the entry of a final decree closing the applicable Chapter 11 Cases, or a Bankruptcy Court order converting or dismissing the applicable Chapter 11 Case. Any deadline for filing Administrative Claims or Fee Claims shall not apply to U.S. Trustee Fees.

(h) Continued Corporate Existence of Reorganized Debtors.

In the event the Approved Purchaser is the Purchaser, then on and after the Effective Date, each Reorganized Debtor shall continue to exist as separate legal entities, having all rights and powers under applicable law, without prejudice to any right to amend its corporate, constituent, or organizational documents (including certificate of formation and operating agreements), dissolve, merge or convert into another form of business entity or to alter or terminate its or their existence.

In the event that a Non-Proposed Purchaser is the Purchaser, then, after the completion of Distributions, if any, to be made to Holders of Allowed Claims against or Interests in the Debtors, the Reorganized Debtors shall be permitted, at the Reorganized Debtors' discretion, to dissolve without the necessity of any further actions to be taken on or on behalf of the Reorganized Debtors or the Reorganized Debtors' officers, directors, shareholders, and members, and any all remaining officers, directors, managers, or managing members of the Reorganized Debtors shall be dismissed without any further action required on the part of the Reorganized Debtors or their respective shareholders, directors, managers, officers, or members.

(i) Revesting of Property

Except as otherwise provided in the Plan, the Plan Supplement or the Confirmation Order, on and after the Effective Date, all property of the Estates, including all Causes of Action not otherwise transferred and any "net operating losses" or similar tax attributes, shall revest in the respective Reorganized Debtors free and clear of all Claims, Liens, charges, other encumbrances and Interests. Except as otherwise provided in the Plan, the rights of the Reorganized Debtors to commence, prosecute or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date.

On and after the Effective Date, and except as otherwise provided in the Plan, each Reorganized Debtor shall retain any Interests that may exist in its affiliates or subsidiaries and retain any rights to which such Interests may be entitled under applicable law with respect to such Interests. On and after the Effective Date, and, to the extent applicable, subject to the New Organizational Documents, the Reorganized Debtors may sell, transfer, assign or otherwise dispose of such Interests as permitted by applicable law and the Loan Modification Documents (if applicable).

(j) Corporate Action

(i) The entry of the Confirmation Order shall constitute authorization for the Debtors or the Reorganized Debtors to take or cause to be taken all actions necessary or appropriate to consummate and implement the provisions of the Plan prior to, on and after the Effective Date, and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court, including, without limitation, the sale of the Property. The actions authorized pursuant to the Plan include, without limitation:

(1) the execution and delivery of appropriate agreements or other documents of transfer, dissolution or liquidation containing terms that are consistent with the Plan and that satisfy the applicable state law and any other terms to which the applicable Persons may agree;

(2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right liability, debt or obligation on terms consistent with the terms of the Plan; and

(3) all other actions that the Debtors determine are necessary or appropriate, including making filings or recordings that may be required by applicable state law.

(ii) On and after the Effective Date, the Reorganized Debtors may engage in any act or activity authorized by law under their respective organizational documents without the Bankruptcy Court's supervision or approval, and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan, Confirmation Order, or the Loan Modification Documents (if applicable).

(iii) On the Effective Date, any provision in any operating agreement, partnership agreement, limited liability company agreement, or any other organizational document of any Debtor or Reorganized Debtor requiring dissolution, liquidation, or withdrawal of a member upon insolvency, bankruptcy, or the filing of chapter 11 cases: (a) is deemed waived and of no further force and effect for any act or occurrence on or prior to the Effective Date, and (b) any action taken to prevent or revoke such potential dissolution or liquidation by the Debtors or Reorganized Debtors or potential withdrawal of any such Debtors or Reorganized Debtors from the applicable limited liability company or partnership is ratified and deemed effective to prevent such dissolution or liquidation and each such Debtor or Reorganized Debtor shall continue its existence regardless of any such provision.

(iv) Prior to, on, or after the Effective Date, as applicable, all matters provided for hereunder that would otherwise require approval of the shareholders, members, managers or partners of the Debtors or Reorganized Debtors shall be deemed to have been so approved and shall be in effect prior to, on, or after the Effective Date, as applicable, pursuant to applicable state law, including the limited liability company law of the state where such Debtor or Reorganized Debtor is organized, without any requirement of further action by the shareholders, members, managers or partners of the Debtors or Reorganized Debtors.

(v) On and after the Effective Date, the Debtors and Reorganized Debtors and the officers and members of the boards of directors thereof (or other similar bodies),

are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan.

(k) Cancellation of Agreements and Discharge of Obligations

Except as otherwise expressly provided for and preserved in the Plan, upon the occurrence of the Effective Date, all certificates, notes, securities, and any and all other instruments evidencing any Claim against the Debtors shall be deemed automatically cancelled and terminated as permitted by section 1123(a)(5)(F) of the Bankruptcy Code without further act or action under any applicable agreement, law, regulation, order or rule; provided, however, that all instruments evidencing any Claims or Interests against or in the Debtors shall continue in effect solely for the purposes of (i) allowing a Holder of an Allowed Claim to receive its Distributions under the Plan (if any), (ii) enforcing the terms of the subordination provisions in any such Claim, (iii) allowing the Debtors or Reorganized Debtors to make the Distributions, if any, on account of Allowed Claims, and (iv) allowing the Debtors or Reorganized Debtors to perform any necessary administrative functions with respect to the Distributions (if any) to be made on account of Allowed Claims; and provided, further, that the operation of this section of the Plan shall have no force or effect on the Liens and the Claims of the Noteholder, except in the case of payment in full, in Cash, to the Noteholder, in satisfaction of the Allowed Noteholder Secured Claim in the event that a Non-Proposed Purchaser is the Purchaser. Notwithstanding anything herein to the contrary, in the event that the Approved Purchaser is the Purchaser, then (x) the liens, claims and encumbrances held by Noteholder and created by the Loan Documents (as modified by the Loan Modification Documents) shall survive, and (y) the permitted encumbrances, if any, to be specified in the Loan Modification Documents or the Conveyance Documents, shall survive.

(l) Payment of Certain Fees

In the event the Approved Purchaser is the Purchaser, then, on the Effective Date, the Approved Purchaser shall pay such fees as are due under the Loan Modification Documents and, as applicable, the TIC Consent.

(m) Tax Matters

The Reorganized Debtors shall be authorized to exercise all powers regarding the Debtors' tax matters, including filing tax returns, to the same extent as if the Reorganized Debtors were the Debtors, and representing the interest and account of the Debtors before any taxing authority in all matters, including, but not limited to, any action, suit, proceeding, or audit.

(n) Exemption from Certain Transfer Taxes.

To the fullest extent permitted under section 1146(a) of the Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan, and the execution, delivery or recording of an instrument of transfer under the Plan, and the revesting, transfer or sale of any real or other property of or to the Debtors, including, without limitation, the transfer of the

Property in connection with the Sale Event, shall not be taxed under any state or local law imposing a stamp tax, transfer tax or similar tax or fee. Consistent with the foregoing, each recorder of deeds or similar official for any county, city or Governmental Unit in which any instrument hereunder is to be recorded shall, pursuant to the Confirmation Order, be ordered and directed to accept such instrument, without requiring the payment of any documentary stamp tax, deed stamps, stamp tax, transfer tax, mortgage recording tax, intangible tax or similar tax.

(o) General Settlement of Claims and Interests

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided pursuant to the Plan, on the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims, Interests, and controversies resolved pursuant to the Plan or relating to the contractual, legal, and subordination rights that a Holder of a Claim or Interest may have with respect to any Claim or Interest, or any Distribution to be made on account of such Claim or Interest, including, without limitation, any Claim or controversy related to the relative ownership Interests in TIC 0 and TIC Member. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests, and is fair, equitable, and reasonable. In the event that the Approved Purchaser is the Purchaser, and for the avoidance of doubt, nothing in the Plan shall limit the Noteholder's rights and remedies going forward under the Loan Modification Documents.

In accordance with the provisions of the Plan, pursuant to Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against the Debtors and their Estates and Causes of Action against other Persons.

(p) Wind Down

Following the Effective Date, the Reorganized Debtors shall, as soon as practicable, take all necessary and appropriate actions to liquidate, settle, compromise, or resolve any Claims against, or assets held by, the Debtors, and thereafter, to have final decrees entered in the Chapter 11 Cases.

In the event the Approved Purchaser is the Purchaser, then, on and after the Effective Date, the Reorganized Debtors shall be entitled to utilize the Cash in the Wind Down Reserve to pay all reasonable, documented out-of-pocket fees and expenses related to the wind down of the Debtors' Estates. Any amounts that remain in the Wind Down Reserve after final decrees are entered in the Chapter 11 Cases shall be returned to the Approved Purchaser.

In the event a Non-Proposed Purchaser is the Purchaser, then, on and after the Effective Date, the Reorganized Debtors shall be entitled to utilize up to \$50,000 from the Overbid Reserve to pay all reasonable, documented out-of-pocket fees and expenses related to the wind down of the Debtors' Estates.

(q) *Final Decree*

At any time following the Effective Date, the Reorganized Debtors shall be authorized to file a motion for the entry of a final decree closing any of the Chapter 11 Cases pursuant to section 350 of the Bankruptcy Code.

4.5. Treatment of Executory Contracts, Unexpired Leases and Other Agreements

(a) *Assumption and Rejection of Executory Contracts and Unexpired Leases.*

Except as otherwise provided in the Plan, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, as of the Effective Date, all executory contracts and unexpired leases listed on the Schedule of Assumed Executory Contracts and Unexpired Leases shall be deemed assumed by the Debtors in accordance with, and subject to the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code and assigned to the Purchaser, except to the extent such contract or lease: (a) was assumed or rejected previously by the Debtors, or (b) previously expired or terminated pursuant to its own terms. The Confirmation Order shall constitute an order of the Bankruptcy Court under sections 365 and 1123(b) of the Bankruptcy Code approving the contract and lease assumptions or rejections described above as of the Effective Date.

Each executory contract and unexpired lease assumed and assigned pursuant to the Plan or by Bankruptcy Court order, shall vest in and be fully enforceable by the Purchaser in accordance with its terms, except as such terms may have been modified by order of the Bankruptcy Court. To the maximum extent permitted by law, to the extent any provision in any executory contract or unexpired lease assumed pursuant to the Plan restricts or prevents, or purports to restrict or prevent, or is breached or deemed breached by, the assumption of such executory contract or unexpired lease (including any “change of control” provision), then such provision shall be deemed modified such that the transactions contemplated by the Plan shall not entitle the non-Debtor party thereto to terminate such executory contract or unexpired lease or to exercise any other default-related rights with respect thereto.

Except as otherwise provided in the Plan, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, as of the Effective Date, the Debtors shall be deemed to have rejected each executory contract and unexpired lease to which it is a party, unless such executory contract or unexpired lease: (a) was previously assumed or rejected, (b) previously expired or terminated pursuant to its own terms, (c) is the subject of a motion or notice to assume filed on or before the Confirmation Date, or (d) is designated specifically or by category as an executory contract or unexpired lease on the Schedule of Assumed Executory Contracts and Unexpired Leases.

Notwithstanding anything to the contrary in the Plan, the Debtors reserve the right to alter, amend, modify, or supplement the Schedule of Assumed Executory Contracts and Unexpired Leases until fifteen (15) days after the Effective Date.

(b) Contract Rejection Claims

Contract Rejection Claims shall be filed and served on the Reorganized Debtors and their counsel not later than the Contract Rejection Claims Bar Date. Any such Claims covered by the preceding sentence not filed within such time shall be forever barred from assertion against the Debtors, their Estates, and their respective properties and interests. The Debtors or Reorganized Debtors shall have until thirty (30) days after the Contract Rejection Claims Bar Date to file and serve objections to Contract Rejection Claims.

(c) Payments Related to Assumption of Executory Contracts and Unexpired Leases

Any Cure Costs shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash by the Purchaser on or as soon as practicable after the Effective Date or on such other terms as the parties to each such executory contract or unexpired lease may otherwise agree. In the event of a dispute regarding the amount of a Cure Cost, “adequate assurance of future performance” (within the meaning of section 365 of the Bankruptcy Code), or any other matter pertaining to assumption or assumption and assignment: (a) the Debtors or Reorganized Debtors retain the right to reject the applicable executory contract or unexpired lease at any time prior to the resolution of the dispute, and (b) Cure Costs shall only be paid by the Purchaser following either the entry of a Final Order resolving the dispute or consensual resolution of the dispute. The Debtors or Reorganized Debtors may settle any such dispute without any further notice to or action, order, or approval of the Bankruptcy Court.

4.6. Provisions Governing Distributions

(a) Timing and Calculation of Amounts to Be Distributed

Unless otherwise provided in the Plan, on the Effective Date, or as soon as practicable thereafter (or if a Claim or Interest is not an Allowed Claim or an Allowed Interest on the Effective Date, on the date that such a Claim or Interest becomes an Allowed Claim or an Allowed Interest, or as soon as practicable thereafter), each Holder of an Allowed Claim or Interest shall receive the full amount of Distributions that the Plan provides for such Allowed Claims. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date. Except as otherwise provided in the Plan, Holders of Allowed Claims shall not be entitled to interest, dividends, or accruals on the Distributions provided for in the Plan, regardless of whether such Distributions are delivered on or at any time after the Effective Date.

(b) Distribution Record Date

As of the close of business on the Distribution Record Date, the various transfer registers for each of the Classes of Claims or Interests as maintained by the Debtors or their agents shall be deemed closed, and there shall be no further changes in the record Holders of any of the Claims or Interests. The Debtors or Reorganized Debtors shall have no obligation to recognize any transfer of any Claims or Interests occurring on or after the Distribution Record Date. The

Debtors or Reorganized Debtors shall be entitled to recognize and deal for all purposes hereunder only with those record Holders stated on the transfer ledgers as of the close of business on the Distribution Record Date.

(c) Distributions

All Distributions to be made on or after the Effective Date shall be made by the Approved Purchaser or the Reorganized Debtors, as the case may be. The Approved Purchaser, Debtors or Reorganized Debtors shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

The Debtors and Reorganized Debtors shall be empowered and directed to (a) effect all actions and execute all agreements, instruments and other documents necessary to perform their duties under the Plan, (b) make all Distributions required in the Plan (which Distributions may also be made by the Approved Purchaser in the event of a sale to the Approved Purchaser), (c) employ, retain or replace professionals to represent them with respect to their responsibilities, and (d) exercise such other powers as may be vested in the Debtors or Reorganized Debtors by order of the Bankruptcy Court, pursuant to the Plan or as deemed by the Debtors or Reorganized Debtors to be necessary and proper to implement the provisions hereof.

(d) Claims Reserves

In making any Distributions in respect of Claims, the Reorganized Debtors or, in the event of a sale to the Approved Purchaser, the Approved Purchaser, shall reserve an appropriate and adequate amount of Cash on account of any unresolved Contested Claims, which Cash shall be funded by (i) in the event the Approved Purchaser is the Purchaser, the Approved Purchaser, or (ii) in the event a Non-Proposed Purchaser is the Purchaser, the Sale Proceeds received by the Debtors' Estates as a result of the Sale Event.

(e) Delivery of Distributions

Subject to Bankruptcy Rule 9010, and unless otherwise provided in the Plan, any Distribution shall be made at the last known address of such Holder as set forth (a) in the Schedules filed with the Bankruptcy Court unless the Debtors have been notified in writing of a change of address, including by the filing of a Proof of Claim by such Holder that contains an address for such Holder different from the address reflected in such Schedules for such Holder, (b) on the Proof of Claim filed by such Holder, (c) in any notice of assignment filed with the Bankruptcy Court with respect to such Claim pursuant to Bankruptcy Rule 3001(e), (d) or in any notice served by such Holder giving details of a change of address.

If any Distribution is returned as undeliverable, no Distributions shall be made to such Holder unless the Reorganized Debtors are notified of such Holder's then current address within one hundred twenty (120) days after such Distribution was returned. After such date, if such notice was not provided, a Holder shall have forfeited its right to such Distribution, and the undeliverable Distribution shall be turned over to the Reorganized Debtors.

Checks issued in respect of Distributions shall be null and void if not negotiated within one hundred twenty (120) days after the date of issuance thereof. Requests for reissuance of any

voided check shall be made directly to the Reorganized Debtors by the Holder to whom such check was originally issued within one hundred twenty (120) days after the date of issuance of such check. If no request is made as provided in the preceding sentence, any Claims in respect of such voided check shall be discharged and forever barred.

(f) Compliance with Tax Requirements/Allocations

The Reorganized Debtors shall be authorized to take all actions necessary or appropriate to comply with tax withholding and reporting requirements.

The Reorganized Debtors are authorized to allocate all Distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support, and other spousal awards, liens, and encumbrances. Distributions shall be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount, to accrued but unpaid interest.

(g) Setoffs

The Debtors or Reorganized Debtors may, pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), pursuant to applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim, set off against any Allowed Claim and the Distributions to be made pursuant to the Plan on account of such Allowed Claim (before any Distribution is made on account of such Allowed Claim) any Claims, rights, and Causes of Action of any nature that the Debtors or Reorganized Debtors may hold against the Holder of such Allowed Claim, to the extent such Claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise), without notice, leave or order of the Bankruptcy Court; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim pursuant to the Plan shall constitute a waiver or release by the Debtors or Reorganized Debtors of any such Claims, rights, and Causes of Action.

4.7. Procedures for Allowing and Resolving Claims

(a) Allowance

Any Claim that is not Contested shall be Allowed, except as provided in Sections 3.2, 3.5, 7.9 and 8.3 of the Plan.

Except as otherwise provided in the Plan, any Claim or Interest as to which liability and amount are determined by a Final Order of the Bankruptcy Court (or such other court or forum as to which the Debtors or Reorganized Debtors and the Holder of such Claim may agree or the Bankruptcy Court may direct) shall be Allowed in such amount.

No Contested Claim shall be Allowed except in the amount either agreed upon between the Holder of such Claim and the Debtors or Reorganized Debtors, or as determined by a Final Order of the Bankruptcy Court (or such other court or forum as the Debtors or Reorganized Debtors and the Holder of such Claim agree to or as the Bankruptcy Court may direct).

TIC 0 Interests shall be deemed Allowed in the name of the Holder and the corresponding amount of such Interests as set forth in TIC 0's register of owners.

(b) Objections to Claims and Procedures Regarding Estimation of Claims

The Debtors or Reorganized Debtors shall have the exclusive authority to file, settle, compromise, withdraw, or litigate to judgment any objections to Claims or Interests. From and after the Effective Date, the Reorganized Debtors may settle or compromise any Contested Claim without approval of the Bankruptcy Court.

The Debtors or Reorganized Debtors may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim (other than the Allowed Noteholder Secured Claim) pursuant to section 502(c) of the Bankruptcy Code, regardless of whether a Proof of Claim has been filed or a party in interest has previously objected to such Claim or whether the Bankruptcy Court has ruled on any objection, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim (other than the Allowed Noteholder Secured Claim) at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal related to any such objection. In the event the Bankruptcy Court estimates any contingent or unliquidated Claim (other than the Allowed Noteholder Secured Claim), that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors or Reorganized Debtors may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned objection, estimation, and resolution procedures are cumulative and are not necessarily exclusive of one another. Claims (other than the Allowed Noteholder Secured Claim) may be estimated and thereafter resolved by any permitted mechanism.

Except as expressly provided in any order entered in the Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), the Reorganized Debtors after the Effective Date will have and retain any and all rights and defenses the Debtors had with respect to any Claim (other than the Allowed Noteholder Secured Claim).

(c) No Distributions on Account of Contested Claims

Notwithstanding any other provision of the Plan, no payments or Distributions shall be made with respect to all or any portion of a Contested Claim unless and until all objections to such Contested Claim have been settled or withdrawn or have been determined by Final Order, and the Contested Claim, or some portion thereof, has become an Allowed Claim. To the extent that all or a portion of a Contested Claim is Disallowed, the Holder of such Claim shall not receive any Distribution on account of the portion of such Claim that is Disallowed.

(d) Distributions After Allowance

To the extent that a Contested Claim ultimately becomes an Allowed Claim, Distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan and Confirmation Order, without any interest to be paid on account of the time period during which such Claim was Contested.

Distributions made after the Effective Date to Holders of Contested Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall be deemed to have been made on the Effective Date.

(e) No Distributions Pending Payment of Money or Property to the Debtors

The Claims of any Person that owes money or property to or asserts disputed possession of or control over property of the Debtors shall be deemed to be Contested and shall not be Allowed unless and until such Person pays in full any amount or returns any property of or owed to the Debtors.

(f) Expressly-Allowed Claims

The Noteholder Secured Claim (TIC 0 Class 2) shall be Allowed on the Distribution Record Date in the amount of the Allowed Noteholder Secured Claim.

(g) Disallowance of Claims

All Claims of any Person from which property is sought by the Debtors under section 542, 543, or 553 of the Bankruptcy Code shall be Disallowed if (a) the Person, on the one hand, and the Debtors or the Reorganized Debtors, on the other hand, agree or the Bankruptcy Court has determined by Final Order that such Person or transferee is liable to turn over any property or monies under any of the aforementioned sections of the Bankruptcy Code, and (b) such Person or transferee has failed to turn over such property by the date set forth in such agreement or Final Order.

4.8. Settlement, Release, Injunction, and Related Provisions

(a) Discharge of Claims and Interests

Effective as of the Effective Date, pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the Distributions, rights, and treatment that are provided in the Plan shall be in exchange for, and in complete satisfaction, discharge, and release, of all Claims, Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Debtors or any of their respective Assets or properties, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability to the extent such Claims or Interests relate to services performed by employees of the Debtors prior to the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in section 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (a) a Claim based upon such debt, right, is Allowed pursuant to section 502 of the Bankruptcy Code, or (b) the Holder of such a Claim or Interest has accepted the Plan. Any default by the Debtors with respect to any Claim or Interest that existed immediately prior to or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan. Nothing in this paragraph shall impair the police or

regulatory powers of the United States of America or any governmental unit thereof specified in section 101(27) of the Bankruptcy Code. The actions of the Securities and Exchange Commission that (a) are non-pecuniary, (b) do not relate to collection of a Claim, or (c) do not pursue injunctions that could be reduced to a monetary Claim, are not discharged under Section 9.1 of the Plan.

(b) Subordinated Claims

The allowance, classification, and treatment of all Allowed Claims and Interests and the respective Distributions and treatments under the Plan shall take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors or Reorganized Debtors reserve the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal, or equitable subordination relating thereto. For the avoidance of doubt, nothing in the Plan is intended to affect any contractual rights of subordination as between the A Note and the B Note.

(c) Releases by the Debtors

Upon the occurrence of the Effective Date, each of the Debtors, the Reorganized Debtors, and any successors or assigns thereto is deemed, to the fullest extent permissible under applicable law, as such law may be extended or integrated after the Effective Date, to forever release, waive and discharge the Released Parties from any and all Causes of Action (other than the rights of the Debtors and Reorganized Debtors and any successors to enforce the Plan and the contracts, instruments, releases, indentures, and other agreements or documents assumed, passed through or delivered in connection with the Plan) that the Debtors or Reorganized Debtors would otherwise be entitled to assert (whether individually or collectively) that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, Reorganized Debtors or any successors or their property, the Chapter 11 Cases (including the commencement thereof), the Loan, the Property, the Sale Event, the Plan, the solicitation of acceptances of the Plan or the Disclosure Statement; provided, however, that in no event shall the foregoing affect the liability or release of any Person that otherwise would result from any such act or omission to the extent such act or omission is determined by a Final Order to have constituted intentional fraud, willful misconduct, gross negligence, criminal conduct or bad faith. In addition, the Debtors shall be authorized to execute and deliver the Final Release in favor of the Noteholder Released Parties on or prior to the Effective Date, which Final Release shall be binding on the Debtors as of the Effective Date and shall be in addition to, and cumulative of, and shall take precedence over and control any conflict with, the releases provided for in Section 9.3 of the Plan.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases set forth in Section 9.3 of the Plan and in the Final Release, which includes by reference each of the related provisions and definitions

contained therein, and further, shall constitute the Bankruptcy Court's finding that such releases are: (a) in exchange for the good and valuable consideration provided by the Debtors, the Estates, and the Released Parties, (b) a good faith settlement and compromise of the Claims released by Section 9.3 of the Plan or by the Final Release, (c) in the best interests of the Debtors and all Holders of Claims and Interests, (d) fair, equitable, and reasonable, (e) given and made after due notice and opportunity for hearing, and (f) a bar to any Person granting a release under Section 9.3 of the Plan or by the Final Release from asserting any Claim or Cause of Action released by Section 9.3 of the Plan or by the Final Release.

(d) Exculpation

The Exculpated Parties shall neither have, nor incur, any liability to any Person for any act taken or omitted to be taken in connection with, relating to, or arising out of, the Sale Event, the Chapter 11 Cases and commencement thereof, formulating, negotiating, soliciting, preparing, disseminating, implementing, confirming, or effecting the Consummation of the Plan, the Disclosure Statement, the Plan Supplement, the administration of the Plan or the property to be distributed under the Plan or related to the issuance, distribution, and/or sale of any security, or any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan through and including the Effective Date; provided, however, that the foregoing shall not affect the liability of any Person that otherwise would result from any such act or omission to the extent such act or omission is determined by a Final Order to have constituted intentional fraud, willful misconduct, gross negligence, criminal conduct or bad faith.

The Exculpated Parties have, and upon confirmation of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and distributions pursuant to the Plan and, therefore, are not and shall not be liable at any time for the violation of any applicable, law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

(e) Releases by Holders of Claims and Interests

SUBJECT TO SECTION 9.7 OF THE PLAN, EFFECTIVE AS OF THE CONFIRMATION DATE, BUT SUBJECT TO THE OCCURRENCE OF THE EFFECTIVE DATE, FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, (A) EACH HOLDER OF A CLAIM (OTHER THAN NOTEHOLDER) OR INTEREST THAT VOTES TO ACCEPT THE PLAN AND DOES NOT CHECK THE BOX ON THE DEBTORS' VOTING BALLOTS ELECTING TO "OPT-OUT" OF THE RELEASES AS PROVIDED THEREIN, (B) EACH HOLDER OF A CLAIM (OTHER THAN NOTEHOLDER) OR INTEREST THAT VOTES TO REJECT THE PLAN AND DOES NOT CHECK THE BOX ON THE DEBTORS' VOTING BALLOTS ELECTING TO "OPT-OUT" OF THE RELEASES AS PROVIDED THEREIN, AND (C) EACH HOLDER OF A CLAIM (OTHER THAN NOTEHOLDER) OR INTEREST THAT IS ENTITLED TO VOTE AND ABSTAINS FROM VOTING ON

THE PLAN AND DOES NOT CHECK THE BOX ON THE DEBTORS' VOTING BALLOTS ELECTING TO "OPT-OUT" OF THE RELEASES AS PROVIDED THEREIN, SHALL UNCONDITIONALLY, FOREVER RELEASE, WAIVE AND DISCHARGE THE DEBTORS, THE REORGANIZED DEBTORS, THEIR ESTATES, THEIR REPRESENTATIVES AND THE RELEASED PARTIES FROM ANY AND ALL CAUSES OF ACTION THAT ARE BASED IN WHOLE OR IN PART ON ANY ACT, OMISSION, TRANSACTION, EVENT OR OTHER OCCURRENCE TAKING PLACE ON OR PRIOR TO THE EFFECTIVE DATE AND ARISE FROM OR RELATE IN ANY MANNER, IN WHOLE OR IN PART, TO THE DEBTORS, THE REORGANIZED DEBTORS AND ANY SUCCESSORS, THE OPERATION OF THE DEBTORS' BUSINESS, THE RESTRUCTURING EFFORTS UNDERTAKEN BY THE DEBTORS, THE CHAPTER 11 CASES (INCLUDING THE COMMENCEMENT THEREOF), THE SALE EVENT, THE LOAN, THE PROPERTY, THE PLAN, AND THE SOLICITATION OF ACCEPTANCES OF THE PLAN AND THE DISCLOSURE STATEMENT; PROVIDED, HOWEVER, THAT IN NO EVENT SHALL THE FOREGOING (A) AFFECT THE LIABILITY OF ANY PERSON THAT OTHERWISE WOULD RESULT FROM ANY SUCH ACT OR OMISSION TO THE EXTENT SUCH ACT OR OMISSION IS DETERMINED BY A FINAL ORDER TO HAVE CONSTITUTED INTENTIONAL FRAUD, WILLFUL MISCONDUCT, GROSS NEGLIGENCE, CRIMINAL CONDUCT OR BAD FAITH, (B) BE A WAIVER OF ANY PROOF OF CLAIM FILED AGAINST ANY OF THE DEBTORS AND THEIR ESTATES BY ANY PERSON OR ANY DEFENSE, OFFSET OR OBJECTION TO ANY CLAIM FILED AGAINST THE DEBTORS AND THEIR ESTATES BY ANY PERSON, (C) BE CONSTRUED AS A RELEASE OF ANY INTERCOMPANY CLAIM, OR (D) RELEASE ANY OBLIGATIONS OF THE REORGANIZED DEBTORS PURSUANT TO THE PLAN.

(f) Permanent Injunction

Except as otherwise expressly provided in the Plan or the Confirmation Order (including with respect to the Reinstatement of Interests, as applicable), or for obligations expressly assumed pursuant to the Plan, all Persons who have held, hold, or may hold Claims or Interests that have been discharged pursuant to Section 9.1 of the Plan, released pursuant to Section 9.3 or Section 9.5 of the Plan, or are subject to exculpation pursuant to Section 9.4 are hereby permanently enjoined, from and after the Effective Date, from taking any of the following actions against the Debtors or Reorganized Debtors: (a) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests, (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree or order against such Persons on account of or in connection with or with respect to any such Claims or Interests, (c) creating, perfecting, or enforcing any encumbrance of any kind against such Persons or the property or estate of such Persons on account of or in connection with or with respect to any such Claims or Interests, (d) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Persons or against the property or Estate of such Persons on account of or in connection with or with respect to any such Claims or Interests unless such Holder has filed a motion requesting the right to perform such setoff on or before the entry

of the Confirmation Order, and notwithstanding an indication in a Proof of Claim or Interest or otherwise that such Holder asserts, has, or intends to preserve any right of setoff pursuant to section 553 of the Bankruptcy Code or otherwise, and (e) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests released or settled pursuant to the Plan.

(g) Limitations on Releases and Exculpations

Notwithstanding anything to the contrary in the Plan or the Confirmation Order, the releases set forth in Section 9.5 of the Plan shall not effect a release of any claim against a non-Debtor by the United States government or any of its agencies or any state and local authority whatsoever, including, without limitation, any claim arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state and local authority. Nothing in Section 9.5 of the Plan nor the Confirmation Order shall enjoin the United States government or any of its agencies or any state and local authority from bringing any claim, suit, action or other proceeding against a non-Debtor for any liability whatsoever, including, without limitation, any claim, suit or action arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state or local authority. Other than as set forth in Section 9.4 of the Plan, nothing in the Plan or the Confirmation Order shall exculpate any non-Debtor from any liability to the United States government or any of its agencies or any state and local authority whatsoever, including any liabilities arising under the Internal Revenue Code, the environmental laws or any criminal laws of the United States or any state or local authority.

(h) Release of Liens

Except as otherwise provided in the Plan and the Loan Modification Documents or in any contract, instrument, release, or other agreement or document created pursuant to or in connection with the Plan, on the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtors and their successors and assigns.

(i) Preservation of Causes of Action

In accordance with section 1123(b) of the Bankruptcy Code, but subject to Article IX of the Plan, the Reorganized Debtors, and their successors and assigns, shall retain, shall be revested with and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action that the Debtors may hold against any Person, without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court, whether such Cause of Action arose before or after the Petition Date. The Reorganized Debtors' right to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date.

No Person may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Reorganized Debtors will not pursue any and all available Causes of Action against them. Except with respect to Causes of Action as to which the Debtors have released any Person on or prior to the Effective Date, the Reorganized Debtors expressly reserve all rights to commence and pursue any and all Causes of Action against any Person, except as otherwise expressly provided in the Plan.

Except as set forth in the Plan, the Reorganized Debtors expressly reserve all Causes of Action, and, therefore, no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches shall apply to the Causes of Action upon, after, or as a consequence of the confirmation of the Plan or occurrence of the Effective Date.

4.9. Conditions Precedent to Confirmation and Consummation

(a) Conditions Precedent to Confirmation

The Plan shall not be confirmed, and the Confirmation Date shall not be deemed to occur, unless and until the Confirmation Order has been entered on the docket maintained by the Clerk of the Bankruptcy Court.

(b) Conditions Precedent to the Effective Date

The Effective Date shall not be deemed to occur unless and until:

- (i) The Confirmation Order is a Final Order;
- (ii) The Confirmation Order provides that the Debtors and Reorganized Debtors are authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, and other agreements or documents created in connection with the Plan;
- (iii) The provisions of the Confirmation Order are non-severable and mutually dependent;
- (iv) In the event that the Approved Purchaser is the Purchaser, the New Organizational Documents shall have been executed and delivered by all parties thereto, and all conditions precedent thereto shall have been satisfied;
- (v) The Conveyance Documents shall have been executed and delivered by the parties thereto, and all conditions precedent thereto shall have been satisfied;
- (vi) All authorizations, consents, and regulatory approvals required, if any, in connection with the Effective Date shall have been obtained;

(vii) (i) Each TIC shall have elected in the TIC Consent to be either a Participating TIC Non-Investor or an Electing TIC Investor; or (ii) a final judgment in the Section 363(h) Adversary Proceeding shall be enforced compelling the sale of such Non-Participating TICs' interest in the Property;

(viii) There shall not be in effect on the Effective Date any (i) order entered by a court of competent jurisdiction, (ii) any order, opinion, ruling or other decision by any other court or governmental entity, or (iii) United States or other applicable law, staying, restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by the Plan; and

(ix) No request for revocation of the Confirmation Order under section 1144 of the Bankruptcy Code shall remain pending.

(x) The Noteholder Conditions Precedent have been satisfied in full or waived by Noteholder.

(xi) The Borrower Party Conditions Precedent have been satisfied in full or waived by the Borrower Parties.

ARTICLE V. SOLICITATION AND VOTING PROCEDURES

The following briefly summarizes procedures to accept and confirm the Plan. Holders of Claims and Interests are encouraged to review the relevant provisions of the Bankruptcy Code and/or to consult their own attorneys.

5.1. Solicitation Package

The following materials constitute the solicitation package (the "Solicitation Package"):

- notice of the Confirmation Hearing;
- appropriate ballot and pre-addressed, postage pre-paid return envelope, which will be provided only to the Holder of Claims in TIC 0 Class 2 (Noteholder Secured Claim), together with voting instructions;
- this Disclosure Statement and the Plan;
- the Disclosure Statement Order (excluding any exhibits thereto), which, among other things: (a) approves this Disclosure Statement as containing "adequate information" under section 1125 of the Bankruptcy Code; (b) fixes the voting record date ("Voting Record Date"); (c) approves solicitation and voting procedures with respect to the Plan; (d) approves the form of Solicitation Package and notices; and (e) establishes deadlines for voting on the Plan and objecting to Confirmation of the Plan; and
- such other information as the Court may direct or approve.

The Solicitation Package is being distributed to the Holder of the TIC 0 Class 2 – Noteholder Secured Claim as of the Voting Record Date (which shall be, at the Debtors’ discretion, transmitted either in paper copy form or in “PDF” format on a CD-ROM). Holders of all other Classes of Claims or Interests or Unclassified Claims will receive, in accordance with section 1123(a)(1) of the Bankruptcy Code, both a Confirmation Hearing notice (the “Confirmation Hearing Notice”) and either (i) a notice of non-voting status with respect to unimpaired classes deemed to accept the plan and unclassified classes, or (ii) notice of non-voting status with respect to impaired classes deemed to reject the plan.

5.2. Voting Deadline

The deadline to submit the ballot with respect to the Plan is []:00 p.m. (prevailing Central Time) on [], 2014. Except to the extent the Debtors so determine or as permitted by the Bankruptcy Court, a ballot that is not actually received by the Voting Agent by the Voting Deadline will not be counted or otherwise used by the Debtors in connection with the Debtors’ request for Confirmation of the Plan (or any permitted modification thereof). In accordance with the Disclosure Statement Order, the Debtors may extend the Voting Deadline, as appropriate, without further order of this Court.

THE DEBTORS SHALL NOT COUNT ANY BALLOT WHICH DOES NOT CLEARLY INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN, WHICH DOES NOT INDICATE THE AMOUNT OF CLAIMS HELD BY THE HOLDER, WHICH INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN, OR WHICH OTHERWISE FAILS TO ADHERE TO THE PROCEDURES SET FORTH IN THE DISCLOSURE STATEMENT ORDER.

FAXED OR E-MAILED COPIES OF THE BALLOT WILL NOT BE ACCEPTED.

5.3. Voting Instructions

Only the Holder of the Allowed Noteholder Secured Claim in TIC 0 Class 2 as of the Voting Record Date is entitled to vote to accept or reject the Plan, and may do so by completing the appropriate ballot and returning such ballot in the envelope provided. The failure of a Holder to timely deliver a duly executed ballot will be deemed to constitute an abstention by such Holder with respect to voting on the Plan and such abstentions will not be counted as votes for or against the Plan. Voting instructions are attached to each ballot.

By signing and returning a ballot, each Holder will be certifying to the Bankruptcy Court and the Debtors that, among other things: (i) the Holder has received and reviewed a copy of the Solicitation Package and acknowledges that the solicitation is being made pursuant to the terms and conditions set forth therein; (ii) the Holder has cast the same vote with respect to its entire Claim; and (iii) no other ballot with respect to the same Claim has been cast, or, if any other ballots have been cast with respect to such claims, then any such ballots are thereby revoked.

If a ballot is signed by a servicer, trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or another acting in a fiduciary or representative capacity, such person should indicate such capacity when signing and, unless otherwise determined by the Debtors, must submit proper evidence satisfactory to the Debtors of authority to so act.

5.4. Voting Tabulation

To ensure that a vote is counted, the Holder should: (a) complete an applicable ballot; (b) clearly indicate the decision to accept or reject the Plan in the boxes provided in the ballot; (c) clearly indicate the amount of such Holder's Claim; (d) clearly indicate the decision whether to "opt out" of third party releases in the boxes provided in the ballot, as appropriate; and (e) sign and timely return the ballot as instructed.

A Holder is entitled to a vote equal to the amount of such Holder's Allowed Claim as of the Voting Record Date.

The ballot is not a letter of transmittal and may not be used for any purpose other than to vote to accept or reject the Plan and, subject to the limitations set forth in the ballot, opt-out of the releases.

The ballot does not constitute, and shall not be deemed to be, (a) a Proof of Claim or Interest or (b) an assertion or admission of a Claim or Interest.

If a ballot is received after the Voting Deadline, it will not be counted. The method of delivery of a ballot to the Voting Agent is at the election and risk of each Holder entitled to vote. Except as otherwise provided, such delivery will be deemed made only when the originally executed ballot is actually received by the Voting Agent, as applicable. Instead of effecting delivery by first-class mail, it is recommended, though not required, that the Holder use an overnight or hand delivery service. In all cases, the Holder should allow sufficient time to assure timely delivery. Delivery of a ballot by facsimile transmission, e-mail or any other electronic means will not be valid.

The Debtors, in their sole discretion, subject to contrary order of the Court, may waive any defect in any ballot at any time, either before or after the close of voting, and without notice. Except as otherwise provided, the Debtors may, in their sole discretion, reject such defective ballot as invalid and, therefore, not count it in connection with confirmation of the Plan. Neither the Debtors, nor any other person or entity, will be under any duty to provide notification of defects or irregularities with respect to the delivery of the ballot, nor will any of them incur any liability for failure to provide such notification.

The Debtors reserve the right to amend from time to time the terms of the Plan (subject to compliance with the requirements of section 1127 of the Bankruptcy Code and the terms of the Plan regarding modifications). The Bankruptcy Code requires the Debtors to disseminate additional solicitation materials if the Debtors make material changes to the terms of the Plan. In that event, the Voting Deadline will be extended or re-opened to the extent directed by the Bankruptcy Court.

If the Voting Agent receives multiple ballots from the same Holder with respect to the same Claim prior to the Voting Deadline, the last ballot timely received will be deemed to reflect that voter's intent and will supersede and revoke any prior ballot(s). The Holder must vote all of its entire Claim either to accept or reject the Plan and may not split its vote. Accordingly, a ballot that partially rejects and partially accepts the Plan will not be counted.

In the event a party-in-interest seeks a designation of lack of good faith under section 1126(e) of the Bankruptcy Code with respect to a ballot, the vote shall not be counted, unless unless otherwise ordered by the Bankruptcy Court

The Debtors will file with the Bankruptcy Court Clerk a voting report (the “Voting Report”) on or before [____], 2014, and will serve the Voting Report on the United States Trustee, all parties on the service list, and all parties who have filed objections to confirmation of the Plan. The Voting Report shall, among other things, delineate every ballot that does not conform to the Voting Instructions or that contains any form of irregularity (each an “Irregular Ballot”) including, but not limited to, those ballots that are late or illegible, unidentifiable, lacking signatures or lacking necessary information, received via facsimile or electronic mail or damaged. Moreover, none of the Debtors or any other Person will be under any duty to provide notification of defects or irregularities with respect to delivered ballots other than as provided in the Voting Report, nor will any of them incur any liability for failure to provide such notification. The Voting Report also shall indicate the Debtors’ intentions with regard to such Irregular ballots.

5.5. Vote Required for Acceptance by the Class of Allowed Noteholder Secured Claim.

In accordance with the Bankruptcy Code, the Class consisting of the Allowed Noteholder Secured Claim (TIC 0 Class 2) will have accepted the Plan if, of the Holder of the Allowed Noteholder Secured Claim who casts a ballot, at least two-thirds (2/3) in amount and more than one-half (1/2) in number have timely and properly voted to accept the Plan.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

ARTICLE VI. THE REORGANIZED DEBTORS

6.1. The Reorganized Debtors

In the event the Approved Purchaser is the Purchaser, then on and after the Effective Date, each Reorganized Debtor shall continue to exist as separate legal entities, having all rights and powers under applicable law, without prejudice to any right to amend its corporate, constituent, or organizational documents (including certificate of formation and operating agreements), dissolve, merge or convert into another form of business entity or to alter or terminate its or their existence.

In the event that a Non-Proposed Purchaser is the Purchaser, then, after the completion of Distributions, if any, to be made to the Holder of Allowed Claims against or Interests in the Debtors, the Reorganized Debtors shall be permitted, at the Reorganized Debtors’ discretion, to dissolve without the necessity of any further actions to be taken on or on behalf of the Reorganized Debtors or the Reorganized Debtors’ officers, directors, shareholders, and members, and any all remaining officers, directors, managers, or managing members of the Reorganized Debtors shall be dismissed without any further action required on the part of the Reorganized Debtors or their respective shareholders, directors, managers, officers, or members.

6.2. Management of the Reorganized Debtors

If the Approved Purchaser is the Purchaser, the manager of TIC Member will continue to be NNN Realty. If a Non-Proposed Purchaser is the Purchaser, then the Reorganized Debtors shall continue to be managed by its current management, subject to the terms of the Debtors' respective operating agreements, until all Distributions are made under the Plan. After such time, the Reorganized Debtors will be permitted to dissolve.

ARTICLE VII. CONFIRMATION PROCEDURES

7.1. The Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold the Confirmation Hearing. The Bankruptcy Court has scheduled the Confirmation Hearing to commence on [____], 2014 (the "Confirmation Hearing Date"), at [__:__] [__].m. (prevailing Central Time), or as soon thereafter as counsel may be heard, before the Honorable Jack B. Schmetterer, United States Bankruptcy Judge for the United States Bankruptcy Court for the Northern District of Illinois, Courtroom 682, 219 South Dearborn Street, Chicago, Illinois 60604. The Confirmation Hearing may be adjourned from time to time without further notice.

Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of the Plan. Any such objections must be filed and served so as to be received by the Debtors, and certain other parties, on or before [____], 2014, at [__:__] [__].m. (prevailing Central Time) (the "Plan Objection Deadline"), in accordance with the Disclosure Statement Order, which is annexed hereto as Appendix C. **OBJECTIONS THAT HAVE NOT BEEN TIMELY SERVED AND FILED IN COMPLIANCE WITH THE TERMS OF THE DISCLOSURE STATEMENT ORDER WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

The Confirmation Hearing Notice will set forth, among other things, the Plan Objection Deadline, the Voting Deadline, and Confirmation Hearing Date.

7.2. Statutory Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of section 1129 of the Bankruptcy Code have been satisfied. If so, the Bankruptcy Court shall enter the Confirmation Order.

The Debtors believe that the Plan satisfies or will satisfy the applicable requirements, as follows:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors, as Plan proponents, will have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.

- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment: (a) made before the Confirmation of the Plan is reasonable; or (b) subject to the approval of the Bankruptcy Court as reasonable if it is to be fixed after the Confirmation of the Plan.
- The Holder of the TIC 0 Class 2 – Noteholder Secured Claim, which Claim is Impaired, will have accepted the Plan;
- Holders of Administrative Claims, Priority Tax Claims and Other Priority Claims will receive value on the Effective Date of the Plan equal to the Allowed amounts of such Claims;
- If the Approved Purchaser is the Purchaser of the Property, Holders of General Unsecured Claims will receive Cash on the Effective Date equal to the Allowed amounts of such Claims; otherwise, if a Non-Proposed Purchaser is the Purchaser, the Holders of Allowed General Unsecured Claims will receive value, as of the Effective Date of the Plan, that is not less than the amount that the Holder would receive or retain if the Debtors were liquidated on that date under chapter 7 of the Bankruptcy Code.
- If the Approved Purchaser is the Purchaser, Holders of an Interests in the Debtors will retain under the Plan their Interests after the Effective Date; otherwise, if a Non-Proposed Purchaser is the Purchaser, the Holders of Allowed Interests will receive value, as of the Effective Date of the Plan, that is not less than the amount that the Holder would receive or retain if the Debtors were liquidated on that date under chapter 7 of the Bankruptcy Code.
- The sufficient number of classes and amount of Claims or Interests in each Class will accept the Plan or is not impaired under the Plan.
- Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successors thereto under the Plan unless such a liquidation or reorganization is proposed in the Plan.
- All fees of the type described in 28 U.S.C. § 1930, including the fees of the United States Trustee, will be paid as of the Effective Date.

(a) *Best Interests of Creditors Test/Liquidation Analysis.*

Before the Plan may be confirmed, the Bankruptcy Court must find (with certain exceptions) that the Plan provides, with respect to each Class, that each holder of a Claim or Interest in such Class either: (a) has accepted the Plan; or (b) will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such person would receive or retain if Debtors liquidated under chapter 7 of the Bankruptcy Code. In chapter 7 liquidation cases, unsecured creditors and interest holders of a debtor are paid from available

assets generally in the following order, with no junior Class receiving any payments until all amounts due to senior Classes have been paid fully or any such payment is provided for:

- Secured creditors (to the extent of the value of their collateral);
- Administrative and other priority creditors;
- Unsecured creditors;
- Debt expressly subordinated by its terms or by order of the Bankruptcy Court; and
- Interest holders.

As illustrated in more detail in the liquidation analysis set forth in Appendix E hereto,¹⁰ the Debtors believe that the value of any distributions in a chapter 7 case would be less than the value of distributions under the Plan. In the absence of the current Plan, the Noteholder may move to lift the automatic stay imposed under Section 362 of the Bankruptcy Code. If the Noteholder's motion to lift the automatic stay is granted, the Noteholders would likely proceed to commence an action in state court to foreclose on its interest in the Property (a "Foreclosure Event"). A Foreclosure Event, or a liquidation sale in a chapter 7 bankruptcy case, would likely leave no recovery for any Holders of General Unsecured Claims or Interests. Even if there was a distribution to General Unsecured Claims, distributions in a chapter 7 case may not occur for a longer period of time, thereby reducing the present value of such distributions. In this regard, the distribution of the proceeds of a liquidation would be delayed until a chapter 7 trustee and its professionals were appointed, become knowledgeable about the Chapter 11 Cases and the Claims against and Interests in the Debtors. In addition, proceeds received in a chapter 7 liquidation are likely to be significantly discounted due to the distressed nature of the sale, and the Debtors would have to pay the fees and expenses of a chapter 7 trustee in addition to the Professionals' pre-conversion fees and expenses (thereby further reducing Cash available for distribution). Finally, the Debtors understand that a chapter 7 liquidation would likely prevent the Debtors' interest holders and the other TIC owners from continuing to carry-forward valuable taxable gains from the sales of other properties.

(b) Feasibility.

The Bankruptcy Code requires a bankruptcy court to find, as a condition to confirmation, that confirmation is not likely to be followed by a debtor's liquidation or the need for further financial reorganization, unless that liquidation or reorganization is contemplated by the Plan.

If a Non-Proposed Purchaser is the Purchaser, the feasibility standard is met because the Reorganized Debtors will be dissolved after the Property is sold to the Non-Proposed Purchaser and Claims and Interest, as applicable, are paid in accordance with the terms of the Plan.

¹⁰ The Liquidation Analysis will be included in the Disclosure Statement as soon as practicable and, in any case, prior to the hearing on approval of the Disclosure Statement.

If the Approved Purchaser is the Purchaser, the feasibility standard is also met. In that case, the Debtors will no longer directly own the Property and, instead, TIC 0 will own a membership interest in the Parent of the Approved Purchaser. It is highly unlikely that the Debtors, as entities with no assets other than their membership interests in the Parent of the Approved Purchaser, will need to liquidate or further reorganize in the future.

As additional support for the feasibility of the Property if the Approved Purchaser is the Purchaser, the Approved Purchaser has prepared preliminary financial projections for the Property as set forth in Appendix F hereto (the “Projections”). The Projections illustrate the Property’s projected cash flows, including all anticipated income and expenses for three (3) years. As set forth in the Projections, the Property is projected to generate sufficient cash flow to allow for the timely payment of debt service as required under the Loan (as modified). The assumptions underlying the Projections are included with Appendix F.

The Projections were prepared in good faith and are based upon estimates and assumptions about the Property made by the Approved Purchaser (including including historical data prepared by TNP). The estimates and assumptions in the Projections, while considered reasonable, may not be realized, and are inherently subject to significant uncertainties and contingencies beyond the Approved Purchaser’s control. They also are based on outside factors such as industry performance, general business, economic, competitive, regulatory, market and financial conditions, all of which are difficult to predict. Because future events and circumstances may well differ from those assumed and unanticipated events or circumstances may occur, actual and projected results will differ and the actual results may be materially greater or less than those contained in the Projections. No representations can be made as to the accuracy of the Projections or the Approved Purchaser’s ability to achieve the projected results. Some assumptions inevitably will not materialize. Actual operating results and values may vary significantly from the Projections. Furthermore, events and circumstances occurring subsequent to the date of which the Projections were prepared may differ from any assumed facts and circumstances. Moreover, unanticipated events and circumstances may come to pass, and may affect financial results in a materially adverse or materially beneficial manner. Therefore, the Projections may not be relied upon as a guaranty or other assurance of the actual results that will occur. The inclusion of the Projections herein should not be regarded as an indication that the Debtors or the Approved Purchaser considered or consider the Projections to reliably predict future performance. The Projections are subjective in many respects, and thus are susceptible to interpretations and periodic revisions based on actual experience and recent developments. Neither the Debtors nor the Approved Purchaser intend to update or otherwise revise the Projections to reflect the occurrence of future events, even in the event that assumptions underlying the Projections are not borne out. The Projections should be read in conjunction with Article VIII — “Certain Risk Factors Affecting the Debtors” and the assumptions and qualifications set forth herein.

THE ASSUMPTIONS AND RESULTANT PROJECTIONS AND SUBSEQUENTLY IDENTIFIED VARIANCES CONTAIN CERTAIN STATEMENTS THAT MAY BE CONSIDERED “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THE PROJECTIONS HAVE BEEN PREPARED BY THE APPROVED PURCHASER. THESE PROJECTIONS AND SUBSEQUENTLY IDENTIFIED

VARIANCES, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE BASED UPON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE APPROVED PURCHASER, MAY NOT BE REALIZED OR MAY BE UNDERSTATED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE PARTIES' CONTROL. THE APPROVED PURCHASER AND THE DEBTORS CAUTION THAT NO ASSURANCES CAN BE MADE AS TO THE ACCURACY OF THE ASSUMPTIONS AND RESULTANT PROJECTIONS OR THE ABILITY OF THE APPROVED PURCHASER TO ACHIEVE THE PROJECTED RESULTS FOLLOWING THE EFFECTIVE DATE. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE, AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR MAY BE UNANTICIPATED, AND THUS MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, THE FINANCIAL ACCOUNTING STANDARDS BOARD, OR THE RULES AND REGULATIONS OF THE SEC REGARDING PROJECTIONS. FURTHERMORE, NO INDEPENDENT AUDITOR HAS COMPILED NOR EXAMINED THE ACCOMPANYING PROSPECTIVE FINANCIAL INFORMATION TO DETERMINE THE REASONABLENESS THEREOF AND, ACCORDINGLY, HAS NOT EXPRESSED AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT THERETO.

THE DEBTORS, THE REORGANIZED DEBTORS AND THE APPROVED PURCHASER DO NOT INTEND TO, AND EACH DISCLAIMS ANY OBLIGATION TO: (A) FURNISH UPDATED PROJECTIONS TO HOLDERS OF ALLOWED CLAIMS OR INTERESTS OF THE DEBTORS OR TO THE OTHER OWNERS OF THE PROPERTY PRIOR TO THE EFFECTIVE DATE OR TO ANY OTHER PARTY AFTER THE EFFECTIVE DATE; (B) INCLUDE ANY SUCH UPDATED INFORMATION IN ANY DOCUMENTS THAT MAY BE REQUIRED TO BE FILED WITH THE SEC OR ANY OTHER ENTITY; OR (C) OTHERWISE MAKE SUCH UPDATED INFORMATION PUBLICLY AVAILABLE.

Accordingly, the Debtors believe that the Plan complies with the financial feasibility standard of section 1129(a)(11) of the Bankruptcy Code.

ARTICLE VIII. CERTAIN RISK FACTORS AFFECTING THE DEBTORS

The Holder of the TIC 0 Class 2 – Noteholder Secured Claim entitled to vote on the Plan should carefully consider the following factors, as well as the other information set forth in this

Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference), before deciding whether to vote to accept or to reject the Plan. This information, however, should not be regarded as the only risk involved in connection with the Plan and its implementation.

8.1. General Considerations

The following provides a non-exhaustive summary of various important considerations the Holder of the TIC 0 Class 2 – Noteholder Secured Claim should read and carefully consider the factors set forth below, as well as all other information set forth or otherwise referenced in this Disclosure Statement.

8.2. Certain Bankruptcy Considerations

(a) Parties-in-Interest May Object to the Plan and Confirmation

Section 1129 of the Bankruptcy Code provides certain requirements for a chapter 11 plan to be confirmed. Parties-in-interest may object to confirmation of a plan based on an alleged failure to fulfill these requirements or other reasons. The Debtors believe that the Plan complies with the requirements of the Bankruptcy Code.

(b) Parties-in-Interest May Object to the Debtors' Classification of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtors believe that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because each classes of Claims and Interests encompass Claims or Interests that are substantially similar to the other Claims or Interests in each such class.

(c) The Unsecured Claims Pool is Uncertain

There can be no assurance that the estimated Claim amounts set forth in the Plan are correct. In addition, certain Holders Interests of TIC Member filed "Proofs of Claim." The Debtors estimate that these filed equity "claims" will be expunged from the Debtors' claims register and, therefore, will not have a material impact on the actual aggregate dollar amount of Allowed Claims. The actual amount of Allowed Claims likely will differ in some respects from the estimates.

(d) Undue Delay in Confirmation May Disrupt Operations and Have Potential Adverse Effects

The Debtors cannot accurately predict or quantify the impact on the operations of the Property of prolonging the Chapter 11 Cases. A lengthy sale and/or confirmation process could adversely affect the TICs' ability to maintain existing tenants at the Property and to execute leases with potential new tenants.

(e) *The Debtors May Not Be Able to Obtain Confirmation of the Plan*

The Debtors cannot ensure they will receive the requisite acceptances to confirm the Plan. But, even if the Debtors do receive the requisite acceptances, there can be no assurance that the Bankruptcy Court will confirm the Plan. The Bankruptcy Court could still decline to confirm the Plan if it were to determine that any of the statutory requirements for confirmation had not been met, including a determination that the terms of the Plan are not fair and equitable to non-accepting Classes. Therefore, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the re-solicitation of votes.

(f) *Risks Associated with Re-solicitation*

If the Debtors re-solicit acceptances of the Plan from parties entitled to vote thereon, Confirmation of the Plan could be delayed and possibly jeopardized. A prolonged confirmation process would entail the risks summarized above.

(g) *Risk of Non-Occurrence of the Effective Date*

Although the Debtors believe that the Effective Date may occur in less than fourteen (14) days following the Confirmation Date, there can be no assurance as to such timing.

There is a risk that any one or more of the Effective Date conditions will not be satisfied. Section 10.2 of the Plan requires that the Effective Date shall not be deemed to occur unless and until:

1. The Confirmation Order is a Final Order;
2. The Confirmation Order provides that the Debtors and Reorganized Debtors are authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, and other agreements or documents created in connection with this Plan;
3. The provisions of the Confirmation Order are non-severable and mutually dependent;
4. In the event that the Approved Purchaser is the Purchaser, the New Organizational Documents shall have been executed and delivered by all parties thereto, and all conditions precedent thereto shall have been satisfied;
5. The Conveyance Documents shall have been executed and delivered by the parties thereto, and all conditions precedent thereto shall have been satisfied;
6. All authorizations, consents, and regulatory approvals required, if any, in connection with the Effective Date shall have been obtained;

7. (i) Each TIC shall have elected in the TIC Consent to be a Participating TIC Non-Investor or an Electing TIC Investor, or (ii); a final judgment shall be enforced compelling the sale of such Non-Participating TIC's interest in the Property;
8. There shall not be in effect on the Effective Date any (i) order entered by a court of competent jurisdiction, (ii) any order, opinion, ruling or other decision by any other court or governmental entity, or (iii) United States or other applicable law, staying restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Plan;
9. No request for revocation of the Confirmation Order under section 1144 of the Bankruptcy Code shall remain pending;
10. The Noteholder Conditions Precedent have been satisfied in full or waived by Noteholder; and
11. The Borrower Party Conditions Precedent have been satisfied in full or waived by the Borrower Parties.

The RSA also includes certain deadlines that the Debtors are required to meet. These deadlines include that: (i) the Disclosure Statement is approved by the Bankruptcy Court on or before June 13, 2014; (ii) the Bankruptcy Court enters an order confirming the Plan on or before June 30, 2014; (iii) a Final Order in the TIC Adversary Proceeding in favor of the Debtors is entered on or before July 15, 2014; (iv) the Plan is effective on or before July 15, 2014; (v) the Sale Event closes on or before July 15, 2014; and (vi) the other Borrower Party Conditions Precedent and the Noteholder Conditions Precedent are satisfied in full or waived on or before July 15, 2014. The foregoing dates (other than that date for approval of the Disclosure Statement) may be extended by fifteen (15) days at the sole election of ND Investment, which election must be in writing and delivered to the other parties to the RSA by no later than June 16, 2014. The Debtors cannot make any assurance that the foregoing deadlines will be satisfied. If any of the foregoing deadlines are not satisfied, then those parties will have certain rights to terminate the RSA. If the RSA is terminated, neither the Debtors nor the Noteholder, among others, will have a continuing obligation to pursue or support the Plan and the Noteholder will not be required to vote in favor of the Plan. Without such assurances, it is uncertain whether the Effective Date will occur.

Additionally, if the RSA is terminated as a result of a Borrower Party Default (as defined in the RSA), after the expiration of a five (5) day notice period to the Borrower Parties, the automatic stay imposed under section 362 of the Bankruptcy Code would be automatically lifted and the Debtors' exclusive right to propose and solicit acceptances of a plan of reorganization would be automatically terminated. Thereafter, the Noteholder may proceed to propose its own plan of reorganization or commence a Foreclosure Event. A Foreclosure Event, or a liquidation sale in a chapter 7 bankruptcy case, would likely leave no recovery for Holders of General Unsecured Claims and would likely lead to the cancellation of all Interests.

(h) Substantive Consolidation Risks

The Plan is premised upon the substantive consolidation of the Debtors' Estates, but solely for purposes of voting, confirmation, and making distributions to the Holders of Allowed Claims and Interests under the Plan. The Debtors can provide no assurance, however, that: (a) the Bankruptcy Court will order substantive consolidation contemplated by the Plan; or (b) a party-in-interest will not object to such substantive consolidation.

In the event the Bankruptcy Court does not permit substantive consolidation of the Plan for purposes of voting, confirmation, and making distributions, the Debtors will seek approval of the Plan as separate plans of reorganization for each Debtor without the need for re-solicitation of the plans. The Debtors can provide no assurance that the Bankruptcy Court will approve the separate plans of reorganization without the need for re-solicitation of acceptances of the Plan.

(i) Risk of Non-Participating TICs and TIC Adversary Proceeding

The Plan contemplates that a TIC may choose to become either Participating TIC Non-Investor or an Electing TIC Investor. It is possible, however, that a TIC may elect not to participate in the exchange of its interests for an interest in the Approved Purchaser. In that case, such Non-Participating TIC will continue be a defendant in the TIC Adversary Proceeding and may be judicially required to sell its interest in the Property. The Debtors cannot guarantee that they will be successful in the TIC Adversary Proceeding.

(j) Risk that Non-Proposed Purchaser Purchases the Property

The Plan is predicated on the assumption that, for voting and classification purposes, the Approved Purchaser will purchase the Property, but the Debtors cannot guarantee that outcome. In the event that a Non-Proposed Purchaser ultimately purchases the Property (either at an Auction or otherwise), the Debtors may need to solicit the votes of different or additional classes of Claims and/or Interests.

8.3. Financial Information; Disclaimer

(a) Information Presented is Based on the Debtors' Books and Records, and No Audit Was Performed

While the Debtors' management has reviewed the financial information provided in this Disclosure Statement with respect to the Projections and Claims, and the Debtors have endeavored to present information fairly in this Disclosure Statement, the Debtors' books and records might be incomplete or inaccurate with respect to the Projections and Claims. In particular, the books and records of the Property are held by TNP, and not the Debtors. The financial information contained herein, or incorporated by reference into, this Disclosure Statement, unless otherwise expressly indicated, is unaudited.

(b) *Financial Projections and Other Forward Looking Statements Are Not Assured, and Actual Results May Vary*

The Debtors' Projections reflect a number of assumptions, including a successful sale of the Property in a timely manner, achieving the forecasts reflected in the Projections (as defined herein), market conditions, the availability of certain tax attributes, and the Plan becoming effective in accordance with its terms. The estimates of value represent hypothetical enterprise values of the Property, and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value, which may be significantly different than the amounts set forth herein. Such estimates are developed solely for purposes of formulation and negotiation of the Plan and analysis of implied relative recoveries to creditors thereunder. The value of an operating business is subject to uncertainties and contingencies in the market that may affect the financial condition and prospects of such a business.

The Debtors' Projections involve complex considerations and judgments that could affect the value of an operating business, including the numerous uncertainties and contingencies that may affect the financial conditions and prospects of the Property.

In addition, the Reorganized Debtors' business plans are subject to the risks set forth in Section 8.4 herein.

8.4. Risk Factors Associated with Operation of the Property

(a) *Lack of Operating History*

Sovereign/TIC, Operator, Parent and the Approved Purchaser (together, the "Companies") are newly-formed entities that have been formed to acquire, own, develop, operate, rent, finance, sell or otherwise manage the Property and manage, invest or reinvest any funds directly related to the Property. The Companies have not commenced operations (other than in connection with necessary arrangements to facilitate the Plan), and are limited in their permitted activities.

(b) *Limited Operating Cash*

The Companies may have limited operating Cash and anticipate raising limited amounts of Cash through a private offering (the "Offering") of limited ownership interests in Parent (the "Limited Interests") and of ownership interests in Sovereign/TIC (the "Sovereign/TIC Membership Interests"), and the holders of Sovereign/TIC Membership Interests, the "Sovereign/TIC Members"), as contemplated by Section 5.2 of the Plan. The proceeds of the Offering expected to be immediately available to the Approved Purchaser on the Closing Date is \$12,000,000 which will be contributed by ND Investment, Sovereign and the Electing TIC Investors indirectly to the Approved Purchaser. The Approved Purchaser will use the proceeds to pay all fees, costs and expenses of all of the transactions contemplated by the Plan including, without limitation, payment of Allowed Claims (in an amount consistent with the Debtors' estimates of Allowed Claims as provided herein) and the payment of certain restructuring fees to C-III Asset Management LLC) (collectively, the "Transaction Expenses"), and to fund an interest reserve account to be used for the payment of interest on the Modified Loan. The Transaction Expenses are significant. In addition, on a quarterly basis, Parent must distribute

available funds (prior to any distribution to holders of Limited Interests of Parent (the “Limited Members”) to Operator until Operator’s members have received a 15% internal rate of return and a return of capital in respect of their capital contributions (the “Capital Return”) and to SIMCO until its fee, equal to \$1,000,000 (which fee may be reduced pursuant to the terms of the Operator’s Operating Agreement, the “Promote Fee”) is paid in full.

There can be no assurance that the proceeds remaining after payment of Transaction Expenses, the Capital Return and a portion of the Promote Fee will be sufficient as operating cash for Approved Purchaser. While ND Investment, Sovereign and the Electing TIC Investors have committed an additional \$3,000,000 in capital pursuant to the terms of Sovereign/TIC’s Operating Agreement (in the case of Sovereign and the Electing TIC Investors) and Operator’s Operating Agreement (in the case of ND and Sovereign/TIC Company), Approved Purchaser will have to use cash from operations of the Property to fund its business activities and make payments of principal and interest under the Loan Agreement, as modified, which will reduce cash available for distribution to the Limited Members. In addition, any capital contributions in excess of the committed \$15,000,000 will be made as loans, with priority of payment over distributions on the Limited Interests, and will earn interest at a rate of 15% per annum, which will also reduce cash available for distribution to the Limited Members.

(c) Limited Assets

The Companies are planning to hold no other assets, other than the Property and assets directly related to the Property. As such, the Companies will not have other assets available that they can use to meet any of their monetary obligations under Parent’s Operating Agreement, Operator’s Operating Agreement, Sovereign/TIC’s Operating Agreement, the Loan Modification Document or any other applicable agreements.

(d) Indemnification and Liability of Managing Members

Under Parent’s Operating Agreement, Operator’s Operating Agreement and Sovereign/TIC’s Operating Agreement, Operator and Sovereign, respectively, and each of their respective officers, directors, shareholders, partners, members, managers, employees, agents or representatives, will be indemnified by the applicable Company that it manages from and against all losses, liabilities and damages relating to or arising out of any action or inaction on behalf of the applicable Company that are done in good faith and in a manner reasonably believed by the indemnified party to be in the scope of its authority, in the absence of fraud, gross negligence or willful misconduct. If substantial and expensive litigation should ensue and the Companies are obligated to indemnify Operator or Sovereign, the Companies may be forced to use substantial funds to do so.

(e) Uncertainty of Future Capital Needs

The Companies may require additional equity and/or debt for the ownership and operation of the Property or other related purposes on terms that have not been contemplated by Sovereign/TIC’s Operating Agreement (in the case of Sovereign and the Electing TIC Investors) and Operator’s Operating Agreement (in the case of ND and Sovereign/TIC Company). There can be no assurance that the Companies will be able to obtain such capital and/or if obtained, that

such capital can be obtained upon favorable terms and conditions. Additional capital may be raised by the Companies upon terms which are adverse to the investors. For example, and without limitation, additional equity and/or debt may be raised by the Companies upon terms which may significantly dilute and/or subordinate the existing interests of the Companies. The Companies have not, at this time, identified any sources for such capital funding, and there can be no assurance that any sources of funding will be available to the Companies for potential capital needs in the future.

(f) *Right of Managing Members to Amend the Operating Agreements*

Parent, Operator, ND Investment and Sovereign have broad authority to amend the Approved Purchaser's Operating Agreement, Parent's Operating Agreement, Operator's Operating Agreement and Sovereign/TIC's Operating Agreement, respectively, without the approval of a majority of the Limited Members or the Sovereign/TIC Investors except in the following circumstances: an amendment: (i) changing the business purpose of the applicable Company; (ii) changing the election to tax the applicable Company, not as a partnership but as a C-Corporation; (iii) increasing the liability of the Limited Members or the Sovereign/TIC Investors, respectively; or (iv) that has a disproportionate and adverse effect on the economic interests of a Limited Member or a Sovereign/TIC Investor relative to the applicable managing member. There is a risk that amendments to Approved Purchaser's Operating Agreement, Parent's Operating Agreement, Operator's Operating Agreement, Sovereign/TIC's Operating Agreement or the Approved Purchaser's Operating Agreement will negatively impact the Companies' operations.

(g) *General Risks Relating to Real Estate and the Property*

The Companies' assets will consist primarily of the Property and assets directly related to the Property. All real estate investments are subject to a high degree of risk. Accordingly, the performance of the Companies will be subject to the risks incident to the ownership and operation of real estate, including risks associated with changes in the general economic climate, changes in the overall real estate market, local real estate conditions, the financial condition of tenants, buyers and sellers of properties, supply of or demand for competing properties in an area, accelerated construction activity, technological innovations that dramatically alter space requirements, the availability of financing, changes in interest rates, competition based on rental rates, energy and supply shortages, various uninsured and uninsurable risks (including possible terrorist activity) and government regulations.

Further, the Property will be subject to federal and state environmental laws, regulations and administrative rulings which, among other things, establish standards for the treatment, storage and disposal of solid and hazardous waste. Real property owners and operators are subject to federal and state environmental laws which impose joint and several liability on past and present owners and users of real property for hazardous substance remediation and removal costs. In addition, investments in real estate or interests in real estate are illiquid and subject to industry cycles, downturns in demand, market disruptions and the lack of available capital from potential lenders or investors. Accordingly, there can be no assurance that the Property, or interests in the Companies will be able to be sold in a timely manner and/or on favorable terms. Furthermore, there can be no assurance that there will be tenants for the

Property.

(h) Leasing Delays and Tenant Bankruptcies

The Companies' ongoing business operations may depend upon the ability to lease and re-lease space within the Property and on the various tenants' payment of rent as required under their leases and performance of other lease obligations, such as maintenance of properties, payment of taxes, utilities and other charges and maintenance of insurance. The Approved Purchaser (and SIMCO as the Sovereign property manager) will have no control over the actions of any of the Property's tenants and, at any time, any of the Property's tenants may delay lease commencement or renewal, fail to make lease payments when due or declare bankruptcy. Any leasing delays, tenant failures to make lease payments when due or tenant bankruptcies could result in the termination of the tenant's lease and, particularly in the case of a large tenant, material losses to the Approved Purchaser, and could harm the applicable Company's ability to operate its business. In addition, any exercise of a termination right by a tenant could result in a vacant space at the Property, renegotiation of the lease or re-letting of the space on a date earlier than the lease expiration date. Any such vacated space may not be re-let.

If tenants are unable to comply with the terms of their leases, it may force the modification of the lease terms in ways that are unfavorable to the Approved Purchaser, and the other Companies. Alternatively, the failure of a tenant to perform under a lease or to extend a lease upon expiration of its term could require the declaration of a default, the repossession of the leased space, or the replacement of the tenant. There is no assurance that any leased space of the Property will be able to be leased on substantially equivalent or better terms than prior leases, or at all, successfully repositioned for other uses, or otherwise successfully operated or leased on terms that are favorable to the Approved Purchaser and the other Companies.

(i) Improvements or Repairs to the Property

The Approved Purchaser may be required, directly or indirectly, to expend funds to correct defects or to make improvements to the Property in order to attract tenants or in connection with any proposed sale of all or any part of the Property, or interests in either Company. No assurance can be given that the Approved Purchaser will have funds available to correct those defects or to make those improvements. This factor and other factors that could impede the Approved Purchaser's ability to respond to adverse changes in the performance of the Property could significantly affect the Approved Purchaser's and the other Companies' financial condition and operating results.

Many factors could cause fluctuations in demand for real properties, occupancy rates or operating expenses, resulting in a negative effect on the value of the Property. Valuation of real estate assets may fluctuate. The capital value of the Property may be significantly diminished in the event of a downward turn in real estate market prices. Additionally, real estate can be difficult to sell, especially if local market conditions are poor. No assurances can be given that the fair market value of the Property will not decrease after acquired by the Approved Purchaser.

Moreover, certain expenditures associated with real estate, such as taxes, debt service, maintenance costs and insurance, tend to increase and are not generally decreased by events

which may adversely affect sales and/or rental revenues such as an unforeseen downturn in the real estate market, a lack of investor confidence in the market or a softening of demand. There can be no assurance that the Property will be sold at a price above the cost of acquisition and development. As a result, there can be no assurance that the Companies' business objectives with respect to the Property will be realized.

(j) *Appraisals May Not Reflect Current or Future Market Value of the Property*

In general, appraisals represent the analysis and opinion of qualified appraisers and are not guarantees of present or future value. One appraiser may reach a different conclusion than that of a different appraiser with respect to the same property. Appraisals seek to establish the amount a typically motivated seller and, in certain cases, may have taken into consideration the purchase price paid by purchasers. The amount could be significantly higher than the amount obtained from the sale of a property in a distress or liquidation sale. The appraised values of the Property may not represent the past, present or future market value of the Property. Historical operating results of the Property used in any appraisal, as adjusted by various assumptions, estimates and subjective judgments on the part of the appraiser, may not be comparable to future operating results. In addition, any engineering report, site inspection or appraisal represents only the analysis of the individual consultant, engineer or inspector preparing such report at the time of such report, and may not reveal all necessary or desirable repairs, maintenance and capital improvement items.

(k) *Costs of Compliance with ADA and Similar Laws*

Under the Americans with Disabilities Act of 1990, as amended (the "ADA"), all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. If the Property is not substantially in compliance with the ADA, significant costs may be incurred to comply with the ADA, either upon its acquisition by the Approved Purchaser, or from time to time in the future to stay in compliance with any changes in the ADA. A number of additional federal, state and local laws exist that also may require modifications to the Property, or restrict certain further renovations thereof, with respect to access thereto by disabled persons. Additional legislation or changes to the ADA may impose further burdens or restrictions on owners or operators with respect to access by disabled persons. If substantial modifications at the Property are required to comply with the ADA or other changes in governmental rules and regulations, the applicable Company's financial condition and operating results could be adversely affected.

(l) *Litigation at the Property Level*

The acquisition, ownership and potential disposition of the Property carry certain specific litigation risks. Litigation may be commenced with respect to the Property in relation to activities that took place prior to the Approved Purchaser's acquisition of the Property. In addition, at the time of any disposition of the Property, a potential buyer may claim that it should have been afforded the opportunity to purchase the Property (or alternatively that such buyer should be awarded due diligence expenses incurred, or damages for misrepresentation relating to disclosures made), if such buyer is passed over in favor of another as part of the efforts to

maximize sale proceeds. Similarly, a successful buyer may later sue the Approved Purchaser and/or the other Companies under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.

(m) *Presence of Hazardous Materials*

The presence of hazardous materials on, under or in the Property (or in the proximity of the Property) may have an adverse effect on the value of the Property. As a current or previous owner of the Property, or an operator of a facility on such Property, the Approved Purchaser and/or the other Companies may be liable under federal, state, and local environmental laws, ordinances and regulations for the costs of removal or remediation of hazardous or toxic substances on, under or in the Property (or in the proximity of the Property). These laws often impose liability whether or not the owners or operators knew of, or were responsible for, the presence of such hazardous or toxic substances. The cost of, and delays associated with, investigating, remediating or removing any hazardous or toxic substances may be substantial. In particular, federal and state laws require the removal or encapsulation of asbestos-containing material when such material is in poor condition (or in the event of construction, demolition, remodeling or renovation), and may also require the removal of underground storage tanks. The presence of any such substances, or the failure to promptly remediate any such substances, may adversely affect the ability to use the Property for its intended purpose or to sell the Property. In addition, it could be difficult for the Approved Purchaser to obtain additional financing for the Property, or to access loan proceeds, if the Property is determined to be contaminated by hazardous substances. The Approved Purchaser will also be required to indemnify the Noteholder against losses resulting from such occurrence for significant periods of time, even after the Loan is fully repaid.

(n) *Casualties at the Property*

The occurrence of a fire or other major casualty at the Property could materially and adversely affect the ownership and operation of the Property and could result in a default under the Loan, as modified. Even if such casualty did not result in a default under the Loan Agreement, as modified, and it were practicable to restore the damage caused by a major casualty, the operation of the Property may be suspended or materially restricted for a substantial period of time, and the economic benefits to the Approved Purchaser the other Companies from such Property may be adversely affected. The Companies expect to arrange for comprehensive insurance for the Property, including insurance which is customary for similarly situated properties. The Companies may also obtain environmental liability insurance in appropriate cases. However, the Companies may not obtain insurance, insurance may not be available on favorable or acceptable terms, or insurance proceeds may not be available or sufficient to pay any actual losses incurred by the Property. The unavailability of insurance proceeds following a significant uninsured or uninsurable loss to the Property may preclude restoration of the Property. There are certain types of losses (generally of a catastrophic nature) which may be uninsurable or may not be insurable on favorable or acceptable terms. These losses could include earthquakes, acts of terrorism and war.

(o) *Uninsured Losses*

The Companies will seek to maintain insurance (which may include liability, fire, extended coverage and rental loss insurance) covering the Property, with policy specifications and insured limits which the Companies believe will be adequate and appropriate under the circumstances given the relative risk of loss, the cost of such coverage and industry practice and as required under the Loan Modification Documents. There are certain types of losses, such as acts of war, hurricanes, floods, or seismic activity, which now or in the future may be uninsurable or not economically insurable. Inflation, changes in building or zoning codes and ordinances, environmental considerations, and other factors may also make it infeasible to use insurance proceeds to replace the Property if it is damaged or destroyed. If an uninsured property loss (or a property loss in excess of insured limits) were to occur, the Companies could lose their capital invested indirectly in the Property, as well as the anticipated future revenues from the Property. The Approved Purchaser would also continue to be obligated to repay the Loan, as modified by the Loan Modification Documents, or other obligations related to the Property. If an uninsured liability to a third party were to occur, the Approved Purchaser and the other Companies may incur the cost of defense and settlement with, or court ordered damages to, that third party.

(p) Property Acquisition is Highly Leveraged

The Approved Purchaser will have leveraged its acquisition and operation of the Property with the Loan, as modified by the Loan Modification Documents. The Noteholder will have recourse to the Approved Purchaser with respect to the Loan, as modified by the Loan Modification Documents. The use of such leverage involves a high degree of financial risk and may increase the exposure of the Approved Purchaser to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the market. Each of these factors could negatively impact the amount of Cash flow available for distribution by the Approved Purchaser. If the Approved Purchaser defaults on the Loan, as modified by the Loan Modification Documents, which is secured by the Property, the Noteholder may, *inter alia*, foreclose and the Companies could lose their entire investment in the Property. If the Approved Purchaser does not employ any leverage associated with the Property, Parent and its Limited Members will not be able to avail themselves of any tax benefits associated with leverage, including any tax benefit associated with the deductibility of mortgage interest payments, which may negatively impact the return to the Limited Members.

(q) Lack of Diversification

As the Companies are investing in only the Property, which is located in Chicago, Illinois, the Companies will not be diversified by property type or by geographic location. Accordingly, the Companies will be subject to greater volatility than would be the case if it were required to maintain diversification among properties, property types and locations.

(r) Risk of Undiscovered Liabilities in the Property

In addition to risk of environmental liability attaching to the owners and operators of the Property, it is possible that the Property could be affected by undisclosed matters. In respect of acquired land, the Companies could be bound by undisclosed matters such as legal easements, liens, leases, any charges on property that have been registered and any charges that the

Companies were or should have been aware of at the time of the acquisition. Liability could also arise from breaches of planning and zoning legislation and building regulations. Undisclosed breaches of other statutory regimes such as health and safety, fire and public health and land development legislation could also give rise to liability. The Companies could also be liable for undisclosed duties payable to the City of Chicago or Cook County, as well as public claims deriving from supply to the property of water, electricity and the like. Although the Companies intend, prior to the acquisition, wherever possible, to undertake due diligence and a title investigation with a view to establishing whether any such risks exist, it may be the case that such risks are unknown or undisclosed upon the acquisition of the Property. The Companies will seek to obtain adequate protection against such risks and/or, if possible on reasonable terms, obtain insurance protection against such matters, but no assurance can be given that such protection will be fully effective or can in fact be obtained. It is therefore possible that the Property could be affected by such matters, which may have a material adverse effect on the value of the Property.

(s) Contingent Liabilities on Sale of the Property

In connection with a future sale of the Property following the Effective Date, or interests in the Companies, the Companies may be required to make representations and warranties about the Property. The Companies may also be required to indemnify the purchaser to the extent that any such representations and warranties are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the Companies may establish reserves or escrow accounts, which may reduce any return to the members of Parent and Sovereign/TIC.

(t) Reliance on Management

Under the Parent's Operating Agreement and the Sovereign/TIC's Operating Agreement, Operator and Sovereign, respectively, will generally have the exclusive right to manage the applicable Company's business and affairs, including but not limited to, the right to sell or mortgage the Property (or any other assets of the applicable Company) without the consent of the Limited Members or the Sovereign/TIC Investors. Moreover, ND Investment will have the exclusive right to manage Operator's business and affairs, subject only to certain rights of Sovereign/TIC to consent to "major actions" as set forth in the Operator's Operating Agreement, which right may be reduced upon any Sovereign Event of Default (as defined in the Operator's Operating Agreement), and its delegation of certain day-to-day functions to SIMCO. Accordingly, investors in the Companies will have no authority to direct the management of the Property and no right or ability to remove Operator, Sovereign, ND Investment or SIMCO, and so must depend entirely on the investment and management skills and abilities of Operator, Sovereign, ND Investment and SIMCO to achieve any return on their investment in the Companies. Additionally, neither Operator nor Sovereign owes the Limited Members or Parent, or the Sovereign/TIC Investors or Sovereign/TIC, respectively, a fiduciary duty. Moreover, the liability of Operator and Sovereign will be limited to their respective interests in the applicable Company.

(u) REIT Compliance

The Companies are indirectly being held by a company that is treated as a real estate

investment trust (a “REIT”) for purposes of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and ND Investment intends to operate the Companies and the Property in a manner consistent with maintaining that REIT status. Under the Operator’s Operating Agreement, SIMCO must use reasonable efforts to cause Operator to preserve the REIT status of the REIT. While SIMCO does not anticipate that this will cause the Property to be operated in a manner that is materially different from the way in which it would be otherwise operated, the rules relating to REITs require a REIT to satisfy certain income tests and levy a confiscatory tax on gain if property is sold as so called “dealer property” or inventory. Though the Property is intended to be held and operated for investment and not as “dealer” property, nevertheless, in light of these restrictions, it is anticipated that no leases will be entered into that do not constitute “rent from real property” under the REIT provisions in the Tax Code (which excludes, inter alia, rental payments based on profits or income of the tenant).

(v) *Dependence on Principals of the Managing Members and their Affiliates*

The ability of ND Investment, Operator, Sovereign and SIMCO to manage the affairs of the applicable Company and the Property currently depends to a large extent on their principals and the principals of their respective affiliates. There can be no assurance that the principals will remain affiliated with, or will otherwise be able to continue to carry on their current duties. In addition, the working time of the principals is subject to significant commitments to other business activities, investments and properties operated by their respective affiliates. Further, the working time of the principals will be subject to potential future commitments to other business activities, investments and properties. It is possible that such affiliates will acquire other interests in properties in the future which may have the same or similar business objectives as the Companies.

8.5. Factors Affecting the Reorganized Debtors

(a) *The Debtors Have No Duty to Update*

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Debtors have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Court.

(b) *No Representations Outside this Disclosure Statement are Authorized*

No representations concerning or related to the Debtors, the Chapter 11 Cases or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement (or in the RSA, in the case of the Noteholder) should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to Debtors’ counsel or the U.S. Trustee.

(c) *All Information Was Provided by Debtors and Was Relied upon by Professionals*

Counsel for and other professionals retained by the Debtors have relied upon information provided by the Debtors in connection with preparation of this Disclosure Statement. Counsel for and other professionals retained by the Debtors have not verified independently the information contained herein.

(d) *This Disclosure Statement Was Not Approved by the SEC*

Although a copy of this Disclosure Statement was served on the SEC, and the SEC was given an opportunity to object to the adequacy of this Disclosure Statement prior to approval by the Bankruptcy Court, neither the SEC nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained herein, and any representation to the contrary is unlawful.

(e) *No Legal or Tax Advice Is Provided to You by this Disclosure Statement*

The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each creditor or holder of an Interest should consult his, her or its own legal counsel and accountant as to legal, tax and other matters concerning his, her, or its Claim or Interest. This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

(f) *No Admissions Made*

Nothing contained herein shall constitute an admission of any fact or liability by any party (including, without limitation, the Debtors) or to be deemed evidence of the tax or other legal effects of the Plan on the Debtors or on holders of Claims or Interests.

**ARTICLE IX.
CERTAIN FEDERAL INCOME TAX CONSEQUENCES
OF CONSUMMATION OF THE PLAN**

9.1. General Considerations

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtors and the Reorganized Debtors and to Holders of Allowed Claims and Interests. The following summary is based on the Tax Code, Treasury Regulations promulgated thereunder, judicial decisions and published administrative rules and pronouncements of the IRS, each as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below.

The U.S. federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtors have not requested and will not request a ruling from the IRS or an opinion of counsel with respect to the tax aspects of the Plan. Thus, no assurance can

be given as to the interpretation that the IRS will adopt. In addition, this summary does not address non-U.S. or U.S. state or local tax consequences of the Plan, nor does it purport to address the U.S. federal income tax consequences of the Plan to special classes of taxpayers (such as Persons who are related to the Debtors within the meaning of the Tax Code, non-U.S. taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, investors in pass-through entities and holders of Claims who are themselves in bankruptcy).

This discussion assumes that the arrangements to which the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. ALL HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE U.S. FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE UNITED STATES INTERNAL REVENUE SERVICE, ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE TAX CODE. TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS WRITTEN TO SUPPORT THE MARKETING OR PROMOTION OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS DISCLOSURE STATEMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

9.2. Certain U.S. Federal Income Tax Consequences of Payment of Allowed Claims Pursuant to Plan

The U.S. federal income tax consequences of Plan implementation to the Holders of Allowed Claims will depend on, among other things, the consideration to be received by the Holder, whether the Holder reports income on the accrual or cash method, whether the Holder receives distributions under the Plan in more than one taxable year, whether the Holder's claim is Allowed or Contested at the Effective Date, and whether the Holder has taken a bad debt deduction or worthless security deduction with respect to its Claim.

(a) Recognition of Gain or Loss in General

In general, a Holder of a Claim should recognize gain or loss equal to the amount realized under the Plan in respect of its Claim less the Holder's basis in the Claim. Any gain or loss

recognized in the exchange may be long-term or short-term capital gain or loss or ordinary income or loss, depending upon the nature of the Claim and the Holder, the length of time the Holder held the Claim and whether the Claim was acquired at a market discount. If the Holder realizes a capital loss, its deduction of the loss may be subject to limitation. The Holder's amount realized generally will equal the Cash received (or deemed received) by the Holder under the Plan on the Effective Date or subsequent distribution date, less the amount (if any) allocable to Claims for interest, as discussed below.

(b) Post-Effective Date Cash Distributions

Because Holders of Allowed Claims, including Contested Claims that ultimately become Allowed Claims, will receive Cash distributions on or subsequent to the Effective Date of the Plan, the imputed interest provisions of the Tax Code may apply to treat a portion of the subsequent distributions as imputed interest. Additionally, because Holders may receive distributions with respect to an Allowed Claim in a taxable year or years following the year of the initial distribution, any loss and a portion of any gain realized by the Holder may be deferred. All Holders of Allowed Claims are urged to consult their tax advisors regarding the possible application of (or ability to elect out of) the "installment method" of reporting with respect to their claims.

9.3. Certain Other Tax Consequences for Holders of Claims

(a) Receipt of Pre-Effective Date Interest

In general, a Holder of a Claim that was not previously required to include in its taxable income accrued but unpaid pre-Effective Date interest, if any, on the Claim may be required to take such amount, if any, into income as taxable interest.

(b) Information Reporting and Withholding

Under the Tax Code's backup withholding rules, the Holder of an Allowed Claim may be subject to backup withholding with respect to distributions or payments made pursuant to the Plan unless the Holder comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact, or provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax. Holders of Allowed Claims may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

9.4. Certain U.S. Federal Income Tax Consequences for Holders of Interests in TIC Member If the Approved Purchaser Is the Purchaser of the Property

The following discussion is relevant only in the event that the Approved Purchaser is the Purchaser of the Property and is directed to holders of interests in TIC Member (referred to herein as "Investors"), which holds, as its sole asset, 100% of the membership interests in TIC 0.

Because TIC 0 is wholly owned (and has made no election to be treated as a corporation for U.S. federal income tax purposes), it is ignored for U.S. tax purposes. Accordingly, TIC 0 is not subject to any U.S. federal income tax. Rather, all items of income, gain or loss of TIC 0 pass through to, and are taken into account by, TIC Member. TIC Member, in turn, is treated as a partnership for U.S. tax purposes, is not subject to any U.S. federal income tax, and all of its items of income, gain or loss (which, assuming the Approved Purchaser is the Purchaser of the Property, will consist solely of income, gain or loss allocated to it from Parent) pass through to, and are taken into account by, the Investors, as holders of membership interests in TIC Member. Because TIC 0 is ignored for U.S. tax purposes, TIC Member will frequently be referred to herein as if it owned an interest in Parent directly.

(a) *In General*

As a partnership, Parent will not be subject to any U.S. federal income tax. Rather, each investor in Parent, which, because, as noted above, TIC 0 is ignored for U.S. federal income tax purposes, would include TIC Member, will be required separately to take into account on its own U.S. federal income tax return each year its allocable share of Parent's items of taxable income, gain, loss, deduction, and credit for Parent's taxable year that ends with or within the investor's taxable year, whether or not Parent makes any distributions of Cash or other property to TIC Member or other members of Parent. Similarly, the Investors will be required separately to take into account on their own U.S. federal income tax returns each year their allocable share of TIC Member's items of taxable income, gain, loss, deduction and credit (which, as noted above, will consist solely of income, gain, loss, deduction and credit allocated to TIC Member from Parent) for TIC Member's taxable year that ends with or within each such Investor's taxable year, whether or not TIC Member makes any distributions of Cash or other property to the Investors.

Parent's Operating Agreement will provide that the taxable income and tax losses of Parent generally will be allocated among its members, including TIC Member, in accordance with their respective rights to receive distributions in the priorities set forth in Parent's Operating Agreement. TIC Member's allocable share of Parent's taxable income and losses will generally be further allocated among the Investors in accordance with their respective rights to receive distributions from TIC Member. Under Section 704(b) of the Tax Code, a partnership's allocations generally will be respected for U.S. federal income tax purposes if they have "substantial economic effect" or they are in accordance with the partners' interests in the partnership. If a partnership's allocations do not comply with Section 704(b) of the Tax Code, the IRS may reallocate partnership items in accordance with the interests of the partners in the partnership. While there can be no absolute certainty, TIC Member expects that the allocation provisions in Parent's Operating Agreement and TIC Member's Operating Agreement will be respected under Section 704(b) of the Tax Code.

Parent's taxable income and tax loss may include both ordinary income and loss and capital gain and loss. The amount and character of the taxable income or tax loss of Parent will depend upon the application of a number of complex and/or uncertain aspects of U.S. federal income tax law. The application of any of these aspects of U.S. federal income tax law are impossible to predict since it will depend, among other things, on the actual operations of Parent and/or its subsidiary entities.

(b) Income in Excess of Cash

Investors, should be aware that an Investor's share of taxable income of TIC Member (which will consist of TIC Member's share of taxable income of Parent) for any year may exceed the amount of Cash distributed to such Investor for that year (for example, if all or a portion of Parent's Cash flow is devoted to the amortization of indebtedness), which may require that the Investor make an out-of-pocket expenditure to cover its tax liability. Conversely, if the Cash distributed by Parent to TIC Member (and from TIC Member to the Investors) exceeds the taxable income of TIC Member (which income will consist of income allocated to it from Parent) for that year, the excess will be treated as a return of capital for U.S. federal income tax purposes to the extent of the Investor's adjusted tax basis in its interest in TIC Member. To the extent that Parent's (and, in turn, TIC Member's) Cash distributions are treated as a return of capital and to the extent that any tax losses of Parent are allocated to TIC Member and therefrom to an Investor, the tax basis of the Investor in its interest in TIC Member will be reduced, but not below zero. Amounts of Cash distributed in excess of an Investor's adjusted tax basis in its interests in TIC Member (including deemed Cash distributions resulting from a decrease in an Investor's share of liabilities) may result in the recognition of taxable income or gain to the Investor. Because of such basis adjustments, any tax that is not payable during the early years of an Investor's investment in TIC Member may become due later through the realization of gain upon the sale of assets of TIC Member (or Parent), the liquidation of TIC Member, or the sale of all or a portion of such Investor's interest in TIC Member.

(c) Tax Basis

Subject to certain limitations discussed below, each Investor, generally will be entitled to deduct its allocable share of a TIC Member's losses (as determined for U.S. federal income tax purposes and consisting of TIC Member's share of losses of Parent) to the extent of the Investor's tax basis in its interest in TIC Member at the end of the tax year of TIC Member in which such losses are recognized. Similarly, TIC Member generally will be entitled to deduct its allocable share of Parent's losses (as determined for U.S. federal income tax purposes) to the extent of TIC Member's tax basis in its interest in Parent at the end of the tax year of Parent in which such losses are recognized. An Investor's (or TIC Member's) tax basis in its interest in TIC Member (or Parent) is, in general, equal to the amount of Cash, and the adjusted basis of other property, that the Investor (or TIC Member) contributes to TIC Member (or Parent), increased by the Investor's (or TIC Member's) allocable share of income and liabilities of TIC Member and decreased (but not below zero) by (i) the amount of Cash distributions that are treated as a return of capital (including deemed Cash distributions resulting from a decreased share of TIC Member's (or Parent's) liabilities or TIC Member's (or Parent's) assumption of the Investor's (or TIC Member's) liabilities) and (ii) the Investor's (or TIC Member's) allocable share of TIC Member's (or Parent's) losses. As noted above, any Cash distributions to an Investor (or TIC Member) (including deemed Cash distributions resulting from a reduction in the Investor's (or TIC Member's) share of liabilities of TIC Member (or Parent)) in excess of such Investor's (or TIC Member's) tax basis in its interest in TIC Member (or Parent) will result in taxable income or gain to the Investor (or TIC Member). With respect to TIC Member, who will acquire an interest in Parent in exchange for its existing ownership interest in the Property (an "Existing Interest"), the determination of its initial tax basis in its interest in Parent will be more complicated in that it is largely dependent upon TIC Member's existing tax basis in the Existing

Interest that is considered contributed to Parent (and not sold to Parent pursuant to the disguised sales rules discussed below) by TIC Member, and decreased by any deemed distributions attributable to shifts in liabilities to which the Existing Interest is subject pursuant to the deemed distribution and triggering of capital account rules, also discussed below. The foregoing will have an impact, not only on TIC Member's tax basis in Parent, but also on the amount of income or loss of TIC Member that will be required to be taken into account by Investors as members of TIC Member. See "Income Tax Consequences Related to Transfer of Existing Interests to Parent" below.

(d) Limitations on Losses

In the case of Investors that are individuals, trusts or certain types of corporations, the ability to utilize any tax losses generated by Parent, and allocated to TIC Member and, in turn, TIC Member to an Investor, may be limited under the "at risk" limitation in Section 465 of the Tax Code, the passive activity loss limitation in Section 469 of the Tax Code and/or other provisions of the Tax Code. Under the "at risk" limitation, an Investor will only be permitted to deduct its allocable share of TIC Member's losses, if any, to the extent that the Investor is "at risk." An Investor's amount "at risk" equals the amount of Cash and the adjusted basis of other property contributed to TIC Member, increased by its allocable share of TIC Member's income and its share of amounts borrowed by TIC Member (including, for this purpose, TIC Member's share of amounts borrowed by Parent) for which such Investor is personally liable (and, in the case of real property investments, certain so-called "qualified nonrecourse financing" with respect to which there is no personal liability), and decreased by distributions to the Investor and the Investor's allocable share of TIC Member losses (consisting, as described, of losses allocated to TIC Member by Parent). Losses not allowed under the at-risk rules may be carried forward to subsequent taxable years. Under the passive activity loss limitation, an Investor will only be permitted to deduct "passive activity" losses to the extent of such Investor's "passive activity" income. In general, a "passive activity" means any activity involving the conduct of a trade or business in which the Investor does not "materially participate."

Furthermore, in the case of Investors that are individuals, estates or trusts, the ability to utilize certain specific items of deduction attributable to the investment activities of Parent (that will be allocated to such Investor by TIC Member) (as opposed to its activities that represent a trade or business for U.S. federal income tax purposes) may be limited under the investment interest limitation in Section 163(d) of the Tax Code, the 2% limitation on miscellaneous itemized deductions (including investment expenses) and/or certain other provisions of the Tax Code.

It is not possible to predict the extent to which any of the foregoing provisions of the Tax Code will be applicable, since that will depend upon the exact nature of Parent's future operations (as well as the operation of its direct and indirect subsidiaries) and the individual tax positions of the Investors. However, the effect of such provisions could be to cause the Investors to realize "phantom" income (*i.e.*, taxable income as determined for U.S. federal income tax purposes, in advance of the receipt of Cash payments associated with such income). Prospective Investors should consult their tax advisors regarding the application of these provisions.

(e) Alternative Minimum Tax

Prospective Investors that are subject to the alternative minimum tax (the “AMT”) should consider the tax consequences of an investment in TIC Member (and, indirectly, in Parent) in view of their AMT position, taking into account the special rules that apply in computing the AMT, including the adjustments to depreciation deductions (if any), the special limitations as to the use of net operating losses and, in the case of individual taxpayers, the complete disallowance of miscellaneous itemized deductions and deductions for U.S. state and local taxes.

(f) Sale or Other Disposition of Interests

Transfers and sales of Limited Interests are limited pursuant to the terms of Parent’s Operating Agreement. If TIC Member sells or otherwise disposes of a Limited Interest in a taxable transaction, it generally will recognize gain or loss equal to the difference, if any, between the adjusted tax basis of such Limited Interest and the amount realized from the sale or disposition. The amount realized will include TIC Member’s share of Parent liabilities outstanding at the time of the sale or disposition. If TIC Member holds the Limited Interest as a capital asset, such gain or loss generally will be treated as capital gain or loss. However, gain from the sale or other disposition of a Limited Interest will be treated as ordinary income to the extent of TIC Member’s allocable share of any “unrealized receivables” and “inventory items.” Capital gain or loss from the disposition of a Limited Interest generally will be long-term capital gain or loss if TIC Member held the Limited Interest for more than one year on the date of such sale or disposition, provided, that a Cash capital contribution by TIC Member within the one-year period ending on such date may cause part of such gain or loss to be short-term. The portion of TIC Member’s gain or loss from the disposition of a Limited Interest that is allocable to each Investor will retain its character as capital gain or loss, or as ordinary income, as the case may be.

(g) Medicare Tax on Net Investment Income

Certain Investors generally are subject to an additional 3.8% Medicare tax on their “net investment income” which may include, among other things, certain income allocable to Investors in respect of their Interests in TIC Member and net gain recognized on a disposition of such Interests. Each prospective Investor should consult its tax advisor regarding the applicability of this tax with respect to the interests in TIC Member as well as to any potential gain resulting from the transfer by TIC Member of its TIC interests to Parent, which gain would be passed through to, and required to be taken account by, each Investor.

(h) Income Tax Consequences Related to Transfer of Existing Interests to Parent

(i) Transfers of Existing Interests to Parent – General Rules

The transfer of a TIC Interest by TIC Member to Parent in exchange for Limited Interests in Parent (the “Exchange”) may, in part, be treated for U.S. federal income tax purposes as an in-kind contribution of property to Parent pursuant to Section 721 of the Tax Code. Section 721(a) of the Tax Code generally provides that no gain or loss will be recognized either to a partnership or to any of its partners upon a contribution of “property” in exchange for an interest in the partnership. As discussed more fully below, a transfer of property to a partnership with no

“equity value” is not likely to be considered a transfer of “property” pursuant to Section 721 of the Tax Code, but rather a sale of the property, particularly if the transferor has not transferred other property to the partnership sufficient to have made a net equity transfer. Provided that investors in Parent (including TIC Member) are partners in Parent for U.S. federal income tax purposes, and are considered to have transferred “property” to Parent, under the general non-recognition rule of Section 721 of the Tax Code, neither TIC Member nor Parent will recognize gain or loss for U.S. federal income tax purposes. However, the general non-recognition rule is subject to certain exceptions, discussed below, that may result in gain (or loss) recognition to TIC Member as a result of an Exchange, which gain (or loss) would be allocated to Investors, as members of TIC Member. In addition, if Parent were to repay all or a portion of the indebtedness encumbering the Property, gain could be recognized by TIC Member, generally in an amount equal to the excess of TIC Member’s share of indebtedness in excess of the tax basis of its interest in the TIC Interest. Any such gain would similarly pass through to the Investors, as members of TIC Member. Finally, regulations have recently been proposed by the IRS that could have an impact on certain of the rules discussed below, should such regulations be finalized in their current form. Because of the complexity of these exceptions, the fact that their application may be based in part on the individual circumstance of each Investor, and the potential future change in regulations noted above, each Investor is urged to consult its own tax advisor regarding their potential application.

(ii) Exception to the General Rules – Disguised Sales

The general non-recognition rule of Section 721 of the Tax Code does not apply to the extent that the transfer of a TIC Interest is properly characterized in whole or in part as a “disguised sale” to Parent. Section 707 of the Tax Code and the applicable Treasury Regulations generally provide that, unless one of the prescribed exceptions is applicable, a disguised sale of property has occurred if (i) a partner transfers property to a partnership, (ii) the partnership transfers money or other consideration (other than partnership interests) to the partner, and (iii) the two transfers, described in (i) and (ii), when viewed together, are properly characterized as a sale or exchange of property. As a general matter, the applicable Treasury Regulations under Section 707 of the Tax Code provide that a transfer of property to a partnership and a transfer (or deemed transfer, as described in greater detail below) of money or other consideration to a partner that occur within two years of each other are presumed to be a disguised sale unless (i) the facts and circumstances clearly establish that the contribution and transfer do not constitute a disguised sale, or (ii) an exception to disguised sale treatment applies.

It should be noted, however, that a Cash distribution will not be treated as part of a disguised sale if it is attributable to a “reasonable guaranteed payment,” a “reasonable preferred return” or is a distribution of “operating cash flow.” The applicable Treasury Regulations set forth a safe harbor for determining whether a preferred return or guaranteed payment is “reasonable” for these purposes. Parent anticipates that any ongoing Cash distributions that it will make to its members, including TIC Member, will qualify as distributions of operating Cash flow and, thus, will not be considered as part of a disguised sale. Parent cannot guarantee, however, that circumstances will not change and that Parent will not make one or more extraordinary Cash distributions or distributions of other property to its members, including TIC Member, that could be viewed as part of a disguised sale.

In addition, for purposes of the disguised sale rules, either an assumption of liabilities by a partnership or a transfer of property subject to liabilities generally is treated as a transfer of money or other property from the partnership to the partner, which may give rise to a disguised sale. To the extent the amount of liabilities assumed or taken subject to exceed the partner's share of the liabilities immediately after the partnership assumes or takes subject to the liabilities, the liabilities are treated as consideration to the partner from the partnership. This is the result even if that transaction would not otherwise result in a taxable deemed Cash distribution in excess of the partner's basis in its partnership interest (discussed below). The method of computing the amount of any such reduction in a partner's share of liabilities under the disguised sale rules is complex and is different from, and generally more onerous than, the method applied for purposes of the rules discussed below relating to triggering negative capital accounts.

In contrast to the general disguised sale liability assumption rules, neither the assumption of "qualified liabilities" by the partnership nor the acquisition by the partnership of properties subject to "qualified liabilities" is treated as part of a disguised sale if the contribution to a partnership is not otherwise treated as part of a disguised sale. For this purpose, a qualified liability includes any liability to the extent that (i) the liability is (a) a liability that was incurred more than two years prior to the earlier of the transfer of the property or the date the partner agrees in writing to the transfer, as long as the liability has encumbered the transferred property throughout the two-year period, (b) a liability that was not incurred in anticipation of the transfer of the property to a partnership, but that was incurred by the partner within the two-year period prior to the earlier of the date the partner agrees in writing to transfer the property or the date the partner transfers the property to a partnership and that has encumbered the transferred property since it was incurred, (c) a liability that is traceable under applicable Treasury Regulations to capital expenditures with respect to the property, and (d) a liability that was incurred in the ordinary course of the trade or business in which property transferred to the partnership was used or held, but only if all the assets related to that trade or business are transferred, other than assets that are not material to a continuation of the trade or business; and (ii) if the liability is a recourse liability, the amount of the liability does not exceed the fair market value of the transferred property (less the amount of other liabilities, if any, that are senior in priority and that either encumber such property or are liabilities described in (i)(c) or (i)(d) above) at the time of the transfer. A liability incurred within two years of the transfer is presumed to be incurred in anticipation of the transfer unless the facts and circumstances clearly establish that the liability was not incurred in anticipation of the transfer. However, to the extent that a contributing partner incurs a refinancing liability and the proceeds thereof are allocable under the Treasury Regulations to payments discharging all or part of any other liability of that partner or of the partnership, the refinancing debt is considered the same as the other liability for purposes of the disguised sale Treasury Regulations. Finally, if a partner treats a liability incurred within two years of the transfer as a qualified liability because the facts clearly establish that it was not incurred in anticipation of the transfer, such treatment must be disclosed to the IRS in the manner set forth in the disguised sale Treasury Regulations. It is not clear whether any liabilities assumed in connection with the transfer of the TIC Interest by TIC Member to Parent will be "qualified liabilities."

If a transfer of property to a partnership is treated as part of a disguised sale without regard to the partnership's assumption of or taking subject to a qualified liability, then the

partnership's assumption of or taking subject to that qualified liability is treated as a transfer of additional consideration to the transferring partner.

The amount of a qualified liability that will be treated as additional consideration is generally an amount equal to the lesser of (i) the amount by which the qualified liability exceeds the partner's share of that liability after the partnership assumes or takes subject to the liability, and (ii) the amount determined by multiplying the amount of the qualified liability by the partner's "net equity percentage." The net equity percentage is generally the amount of consideration received by the partner, other than relief from qualified liabilities, divided by the partner's net equity in the property treated as being sold, as calculated under the disguised sale Treasury Regulations.

Each Investor is urged to consult its own tax advisor regarding the application of these rules to TIC Member's transfer of its TIC Interest to Parent and the extent to which this could create a disguised sale issue that would impact such Investor as a member of TIC Member.

(iii) Exception to the General Rules – Partnership Investment Companies

The general non-recognition rule of Section 721 of the Tax Code also does not apply to gain realized on a transfer of property to a partnership which would be treated as an "investment company" if the partnership was a corporation for federal income tax purposes. For these purposes, Parent would constitute an investment company if (i) the transfer of property to Parent results in a "diversification" of the transferors' interests (i.e., this would ordinarily occur when two or more persons transfer non-identical assets to Parent) and (ii) 80% or more of the value of Parent's assets are held for investment and consist of certain types of stocks or securities (generally including money, stock and equity interest in corporations, evidences of indebtedness, options, forward or future contracts, notional principal contracts, derivatives, foreign currency, interests in real estate investment trusts, interest in regulated investment companies, interests in publicly traded partnerships, interests in precious metals or interests in entities that own the foregoing items). The determination of whether a partnership is an investment company is made immediately following the transfer, but also considers any plan in existence at the time of the transfer. Operator does not anticipate that Parent would be an investment company if Parent were incorporated. Assuming this is the case, this exception to the general nonrecognition rule of Section 721 should not apply to TIC Member's contribution of its TIC Interest to Parent and there should be no adverse tax consequences to Investors in respect of this exception.

(iv) Exception to the General Rules – No Contribution of "Property"

The general non-recognition rule of Section 721 of the Tax Code only applies to contributions of "property." If the indebtedness to which a transferred TIC Interest is subject were determined to be greater than the fair market value of such TIC Interest, the transfer arguably would not be treated as a contribution of "property" for this purpose on the theory that no net equity value has been contributed.

Each prospective Investor should consult its own tax advisor and take into account its

own particular circumstances with respect to the foregoing.

(v) Exception to the General Rules – Deemed Distributions and Triggering of a Negative Tax Capital Account

The general non-recognition rule of Section 721 of the Tax Code will also not apply if TIC Member, as a contributor of a TIC Interest (or portion thereof) to Parent, is deemed, for tax purposes, to receive a Cash distribution from Parent as a result of a decrease in TIC Member's share of the aggregate liabilities secured by that TIC Interest which is not offset by TIC Member's allocable share of Parent's overall liabilities (such allocable share being determined by a special set of rules in the Treasury Regulations promulgated under Section 752 of the Tax Code). Under these circumstances, TIC Member (and, therefore, Investors, as members of TIC Member) will generally recognize taxable gain if the deemed Cash distribution exceeds TIC Member's adjusted tax basis in its interest in Parent. Similarly, taxable gain could also be recognized by TIC Member if TIC Member's allocable share of Parent's liabilities (again, with such allocable share being determined under the Section 752 Treasury Regulations) is decreased after the contribution by an amount that exceeds TIC Member's adjusted tax basis in its interest in Parent, whether such decrease is due to the repayment by Parent of liabilities, or some other event. These types of situations (debt relief or reduction which exceeds tax basis) are also sometimes referred to as the "triggering" of a "negative capital account."

In general, to the extent that TIC Member's share of the liabilities secured by its TIC Interest is reduced as a result of a contribution to Parent pursuant to Section 721 of the Tax Code, TIC Member will be considered to receive a deemed distribution of Cash from Parent in connection with the transfer and, except as described below, TIC Member will recognize gain to the extent that this deemed Cash distribution (if any) exceeds the TIC Member adjusted tax basis in its interest in Parent which is received in connection with the transfer. Such gain would be allocated among the Investors in accordance with their relative interests in the TIC Member. Very generally speaking, in order to determine if TIC Member's share of liabilities is reduced for this purpose, TIC Member is required to compare the amount of its share of liabilities secured by the contributed property immediately prior to the Exchange, with TIC Member's share of overall Parent liabilities immediately after the Exchange. In general, Investors should not recognize any gain under the foregoing rules except to the extent that TIC Member's adjusted tax basis in its Existing Interest is less than the amount of debt to which such Existing Interest is subject (and the Investors, therefore, have a negative capital account with respect to their Interests in TIC Member).

Pursuant to Section 752(a) of the Tax Code, any increase in a partner's individual liabilities by reason of the assumption by such partner of partnership liabilities will be treated as a contribution of money by such partner to the partnership. Further, pursuant to Section 752(b) of the Tax Code, any decrease in a partner's individual liabilities by reason of the assumption by the partnership of such individual liabilities will be treated as a distribution of money to the partner by the partnership. If the Approved Purchaser, a wholly-owned LLC of Parent that is treated as a disregarded entity for U.S. federal income tax purposes, assumes or takes subject to the obligations under the debt secured by the Property, those persons (including TIC Member) contributing TIC Interests to Parent may be treated as receiving a distribution of money by Parent which will result in a corresponding reduction in TIC Member's basis in its Limited

Interests.

Different rules apply with respect to the sharing of partnership liabilities depending upon whether such liabilities are viewed for these purposes as recourse, or nonrecourse, liabilities. Recourse liabilities are liabilities with respect to which any partner (or related person, as determined under rules set forth in the applicable Treasury Regulations) bears economic risk with respect to the liability. Such liabilities are allocated to those partners who bear such economic risk. Nonrecourse liabilities, on the other hand, are liabilities with respect to which no partner or related person has personal liability. TIC Member will be allocated any nonrecourse liabilities of Parent equal to the sum of (i) TIC Member's share of so-called "partnership minimum gain," (ii) the amount of any taxable gain that would be allocated to TIC Member under Section 704(c) of the Tax Code if Parent disposed of all Parent property subject to one or more nonrecourse liabilities of Parent in full satisfaction of the liabilities and for no other consideration; and (iii) TIC Member's share of excess nonrecourse liabilities in accordance with TIC Member's share of profits of Parent (as determined for this purpose), and subject to the discretion of the Operator as discussed below, which could first include an amount up to the amount of built-in gain allocable to TIC Member pursuant to Section 704(c) in excess of that described in (ii), above. Each Investor's share of nonrecourse liabilities of TIC Member (which, as described, will consist of TIC Member's allocable share of nonrecourse liabilities of Parent) will be allocated in the same fashion described above (by reference to the relevant items computed at the TIC Member level).

As noted below, a repayment of the liabilities by Parent would trigger a deemed Cash distribution based on the amount of the repayment and may result in gain recognition by TIC Member, which gain would be allocated to Investors in accordance with their interests in TIC Member. Finally, Investors should be aware that even if TIC Member were allocated indebtedness sufficient to avoid gain recognition in connection with the Exchange, a reduction in the amount of indebtedness allocated to TIC Member under Section 752 of the Tax Code may occur in subsequent years due to the operations of Parent or if Parent members other than TIC Member increase their interests in Parent.

It should also be noted that it is possible that any refinancing of the existing debt could result in reduced liabilities and that TIC Member's share of liabilities of Parent could be reduced, unless TIC Member and the Investors were to guarantee an appropriate portion of the refinanced debt. As a result, TIC Member could realize gain as a result of such reduction, which gain would be allocated to the Investors. Generally, neither Parent nor Operator has made, nor will make, any assurances to TIC Member as to whether it will be allocated a sufficient amount of the liabilities of Parent such that TIC Member will not be deemed to receive a Cash distribution in the Exchange in excess of TIC Member's adjusted tax basis in its Limited Interest. This could result in taxable gain to TIC Member, which would be allocated to the Investors. In addition, Investors should be aware that, under the Treasury Regulations and the Parent's Operating Agreement, Operator may have a significant amount of discretion in terms of repaying debt with its own capital or loan with respect to which it has liability. Any such liability repayment could result in a deemed Cash distribution to TIC Member, which may result in taxable gain that would be allocated to Investors. Even if a liability is not repaid, Operator may have a significant amount of discretion in terms of selecting among various methods of allocating any Parent nonrecourse liabilities amongst its members for tax purposes, and that Operator will select the appropriate

method, in its own sole discretion, without the obligation to take into account the tax effects to TIC Member. Moreover, Operator may choose to use a method (such as allocating any excess nonrecourse liabilities based upon the Parent members' percentage ownership interests in Parent), which may or may not have adverse consequences to TIC Member (and, therefore, the Investors) as compared to other members of Parent. Finally, it should also be noted that there can be no assurance as to the amount of liabilities that will be allocated to TIC Member in subsequent years or that these amounts will not fluctuate materially from year to year.

Each Investor is urged to consult its own tax advisor and take into account its own particular circumstances in order to assess the potential impact of a reduction of TIC Member's share of liabilities of Parent and the resulting deemed receipt of a Cash distribution as a result of an Exchange, and the resulting tax consequences to such Investor therefrom.

(vi) Initial Basis in Limited Interests

In general, and unless the disguised sales rules described above apply, TIC Member will have an initial tax basis in its Limited Interest obtained as part of an Exchange equal to its aggregate tax basis in its contributed property (and any deemed cash contribution resulting from TIC Member's share of Parent liabilities), decreased (but not below zero) by all cash distributions to TIC Member (including deemed tax distributions resulting from a reduction in liabilities) prior to or in connection with the Exchange. It is possible that TIC Member will have only a nominal initial basis in its Limited Interest due to the application of the disguised sale rules discussed above. This could have an impact on Investors in respect of items of income, gain or loss passed through to TIC Member from Parent (or limitations thereon), which in turn, are passed through (or not) to Investors as members of TIC Member.

(vii) Tax Allocations for Built-In Gain or Loss Assets

Under Section 704(c) of the Tax Code, income, gain, loss and deductions attributable to appreciated or depreciated property (i.e. property whose fair market value is greater than or less than the contributor's adjusted tax basis in such property) that is contributed to a partnership must be allocated for U.S. federal income tax purposes in a manner such that the contributing partner is charged with, or benefits from, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of unrealized gain or unrealized loss generally is equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of the property at the time of contribution, which is referred to as the "book-tax difference." Immediately prior to the Exchange by TIC Member of its TIC Interest for a Limited Interest, a substantial book-tax difference may exist (particularly for those Investors who may have acquired their TIC Interest as part of Section 1031 tax-deferred exchange). It should be noted that the application of Section 704(c) to contributions of TIC Interests is not entirely clear. Moreover, Section 704(c) will apply only to the TIC Interests contributed to Parent, and will not apply to any portion of the TIC Interests that Parent purchases, including a purchase caused by the application of the disguised sale rules discussed above.

Parent's Operating Agreement requires allocations of income, gain, loss and deductions attributable to the properties with respect to which there is a book-tax difference be made in a

manner that is consistent with Section 704(c) of the Tax Code. The Treasury Regulations under Section 704(c) of the Tax Code require partnerships to use a “reasonable method” for allocation of items affected by Section 704(c) of the Tax Code. Operator may elect to use one of several methods to accomplish this. Operator has not made a determination as to the method that will be used. It is likely that the method chosen will result in TIC Member potentially being allocated less tax depreciation deductions and more tax income with respect to TIC Member’s TIC Interest that is contributed by it to Parent and which had a fair market value in excess of TIC Member’s tax basis in such asset when contributed.

If the Property is subsequently sold by Parent in a taxable sale or other disposition, gain equal to any book-tax difference remaining at the time of such sale must be allocated, in part, to its members, including TIC Member, in accordance with Section 704(c), even though the proceeds from such sale may be distributed to its members in a different manner as dictated by the Parent’s Operating Agreement. A taxable sale with respect to the Property may include a foreclosure, deed-in-lieu of foreclosure or similar transaction. In such cases, any taxable gain (or loss) recognized in connection with such transaction will be required to be allocated to holders of interests in Parent (including TIC Member) pursuant to section 704(c) of the Tax Code and any such gain or loss would, in turn, be allocated from TIC Member to the Investors. Thus, each Investor should be aware that such taxable gains (or losses) may be triggered by actions taken by Parent (and/or by actions outside Parent’s control), and neither TIC Member nor any Investor will have any control over the timing of the recognition of such taxable gains (or losses).

9.5. Certain U.S. Federal Income Tax Consequences for Holders of Interests in TIC Member if a Non-Proposed Purchaser is the Purchaser of the Property

In the event that a Non-Proposed Purchaser is the purchaser of the Property, the Property may be sold for Cash and/or an assumption of the Loan, and TIC Member, as the 100% owner of TIC 0, will receive its Pro Rata Share, if any, of the Debtors’ pro rata share of Cash from the Sale Proceeds and will then liquidate and distribute this Cash, if any, to the Investors in liquidation of their interests in TIC Member. In such case, TIC Member will recognize gain or loss in an amount equal to the difference between its adjusted tax in the Property and its share of such Cash and debt that is assumed, or taken subject to, in the sale. This gain will be allocated to, and taken into account by, the Investors in accordance with their interests in TIC Member. Such gain or loss will be capital gain or loss, taxed, in the case of individual Investors, at preferred rates applicable to capital gains (currently, at a maximum rate of 20%), except (i) to the extent attributable to depreciation recapture, which will be subject to tax, under Section 1245 of the Tax Code, as ordinary income at a maximum rate of 39.6% or (ii) to the extent attributable to previously claimed depreciation deductions (“unrecaptured Section 1250 gain”), taxable at a current maximum rate of 25%. Any such gain (or loss) will increase (or decrease) an Investor’s tax basis in its interest in TIC Member. Upon liquidation of TIC Member and distribution of its share of Cash from the Sales Proceeds, if any, to Investors, each Investor will recognize gain or loss equal to the difference between its adjusted basis in its interest in TIC Member (computed after taking into account any increase (or decrease) by gain (or loss) from the Property sale as described above) and the amount, if any, of Cash received.

9.6. Importance of Obtaining Professional Tax Assistance

THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS OR INTERESTS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY U.S. STATE, LOCAL OR NON-U.S. TAX LAWS AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

ARTICLE X. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the Plan affords Holders of Claims against and Interests in the Debtors the potential for the greatest realization on the Debtors' assets and, therefore, is in the best interests of such Holders. If, however, the Plan is not confirmed and consummated, the theoretical alternatives include: (a) formulation of an alternative plan or plans of reorganization or liquidation, or (b) liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

10.1. Other Potential Plan(s)

If the Plan is not confirmed, the Debtors or, any other party-in-interest could attempt to formulate and propose a different plan or plans. Because the Debtors have limited ongoing operations, the alternatives to the Plan are limited. Although the Debtors could theoretically file a new plan, the most likely results if the Plan is not confirmed and consummated are that the Debtors will file a liquidating plan or that the Chapter 11 Cases will be converted to cases under chapter 7 of the Bankruptcy Code. The Debtors believe that a liquidation under either scenario would result in (i) significant delay in distributions to all creditors who would have received a distribution under the Plan, and (ii) diminished recoveries for creditors and Interest Holders.

With respect to other potential plans, the Debtors have explored various other choices in connection with the negotiation process involved in the formulation and development of the Plan. The Plan enables holders of Claims and Interests to realize the greatest possible value under the circumstances, and, that as compared to any other plan, the Plan has the greatest chance to be confirmed and consummated. Ultimately, the Debtors (or other parties in interest) could propose another plan of reorganization, a plan of liquidation or convert to a chapter 7 liquidation.

10.2. Liquidation Under Chapter 7

If no plan is confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtors' assets for distribution in accordance with the priorities specified by the Bankruptcy Code. It is impossible to predict precisely how the proceeds of the liquidation would be

distributed to the respective holders of Claims against or Interests in the Debtors; should the Noteholder proceed with a Foreclosure Event or should there be a liquidation sale in a chapter 7 bankruptcy case, it is likely that General Unsecured Claims will receive no distribution and that Holders of Interests will have their Interests cancelled. A liquidation analysis for the Property is attached as Appendix E hereto.

Moreover, the Debtors believe that in a liquidation under chapter 7, before Holders of General Unsecured Claims and/or Interests receive any distribution, additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other professionals to assist such trustees would cause a substantial diminution in the value of the Debtors' Estates. The assets available for distribution to Holders of General Unsecured Claims and Interests, if any, would be reduced by such additional expenses and by additional Claims, some of which would be entitled to priority, which would arise by reason of the liquidation and the failure to realize the greater going concern value of the Debtors' assets.

THE DEBTORS BELIEVE THAT THE PLAN AFFORDS SUBSTANTIALLY GREATER BENEFITS TO IMPAIRED INTEREST HOLDERS THAN WOULD ANY OTHER REASONABLY CONFIRMABLE PLAN UNDER ANY CHAPTER OF THE BANKRUPTCY CODE.

**ARTICLE XI.
CONCLUSION AND RECOMMENDATION.**

11.1. Conclusion and Recommendation

The Debtors believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will result in the greatest recoveries to holders of Claims against and Interests in the Debtors. Other alternatives would involve significant delay, uncertainty and substantial additional administrative costs. Consequently, the Debtors urge the Holder of the Noteholder Secured Claim to vote to accept the Plan and to evidence its acceptance by duly completing and returning its ballot so that it will be received on or before [__:00 __.m. (prevailing Central Time) on ____, 2014].

* * * * *

Dated: Chicago, Illinois
April 25, 2014

NNN 123 NORTH WACKER, LLC, ET AL.,
as Debtors and Debtors in Possession

By: 

Authorized Signatory, on behalf of
the Debtors and Debtors in Possession

D. Tyler Nurnberg
Daniel J. Hartnett
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Possession*

Appendix A

Debtors' Plan of Reorganization

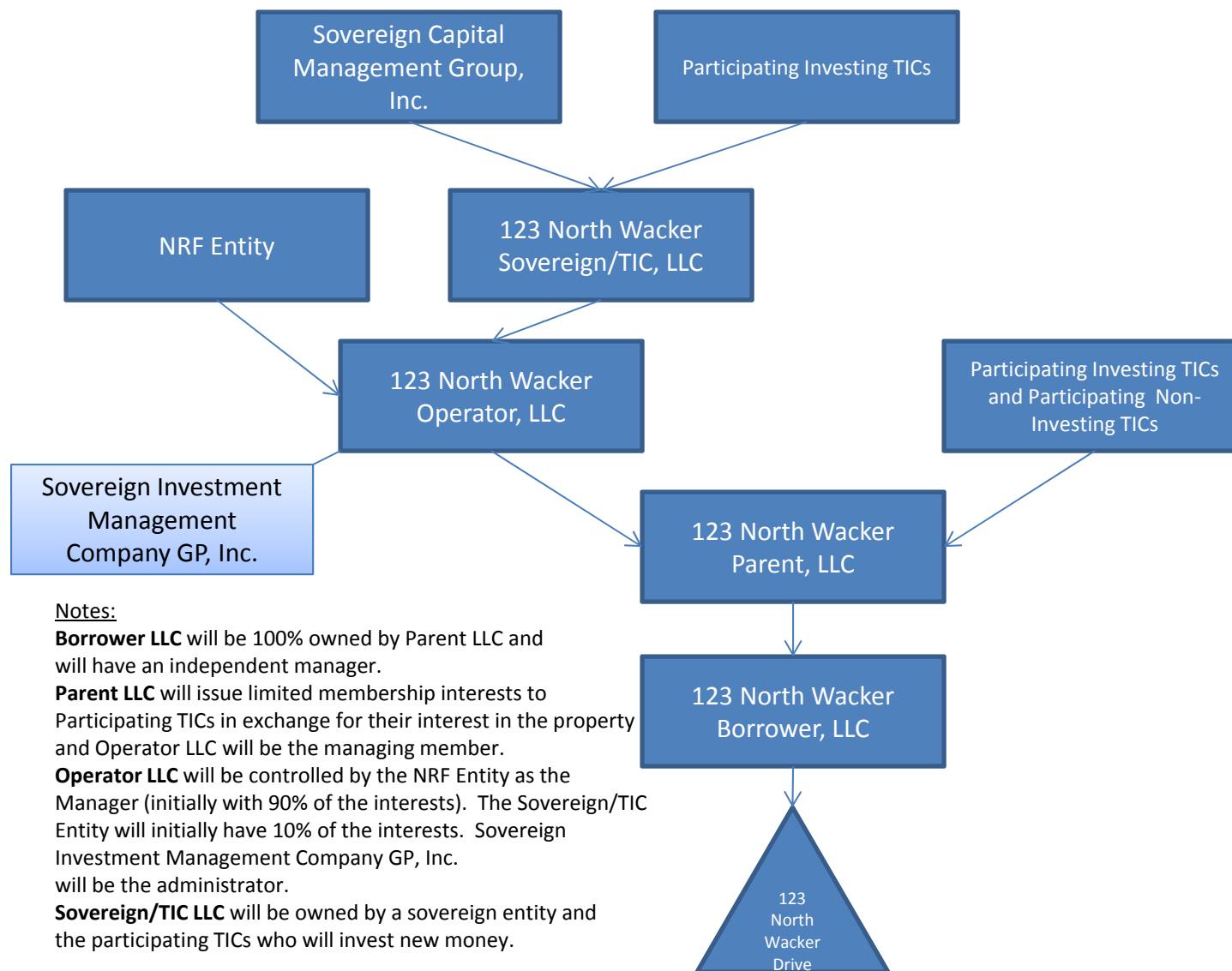
[Filed Separately]

Appendix B

Approved Purchaser Organizational Chart

123 North Wacker Drive

New Organizational Structure Chart



2/27/2014

Appendix C

Order Approving the Disclosure Statement

[Filed Separately]

Appendix D

2013 Annual Income Statements for the Property

TNP

12 Month Income Statement Forecast (Investor Rep)

NNN 123 North Wacker LLC

Cash	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Total
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast
PROJ: 693													
REVENUE													
REAL ESTATE OPERATING / RENTAL RENT													
Prepaid Rents	-473,893	276,501	131,842	-17,945	-90,666	-311,513	361,224	-151,986	165,994	-190,328	280,814	136,446	116,488
Abatement -Office	-50,677	-50,677	-38,451	-38,451	0	0	-8,329	-2,445	-154,562	-150,116	-159,252	-22,234	-675,195
Base Rent -Office	768,972	786,506	546,526	814,227	904,663	867,162	743,401	699,101	774,013	700,990	671,476	676,987	8,954,023
TOTAL RENTS	244,402	1,012,330	639,917	757,830	813,997	555,648	1,096,297	544,669	785,444	360,546	793,037	791,199	8,395,377
CAM RECOVERIES													
Common Area Operation	286,596	267,417	216,502	300,002	319,679	320,798	261,556	305,753	314,405	261,752	245,504	248,399	3,348,322
CAM abatement	0	0	0	0	0	0	0	-4,286	0	0	0	-10,066	-14,351
HVAC	2,288	2,919	2,152	5,000	2,190	2,387	2,069	4,747	15,317	1,641	5,615	2,011	48,336
Monthly Utility Reimbursement	0	79	0	339	79	79	79	79	79	0	0	159	973
Other Recoveries	1,172	1,172	1,172	1,172	1,172	1,172	2,051	113	1,469	1,981	950	950	14,149
Prior Year CAM Recoveries	0	0	-16,690	0	0	0	0	0	0	0	54,730	7,577	4,617
Real Estate Tax	247,903	225,741	191,877	278,819	300,573	296,572	267,246	284,348	264,290	241,211	226,612	228,562	3,053,952
TOTAL CAM RECOVERIES	537,960	497,329	395,013	585,331	623,694	621,008	533,001	590,754	595,561	506,585	533,411	477,592	6,497,288
OTHER INCOME													
Antenna	1,000	1,040	840	840	1,458	1,046	1,046	1,046	1,046	1,046	1,046	6,548	18,000
Express Parcel Space Rental	5,522	5,522	5,522	5,522	5,522	5,522	5,522	5,522	5,522	5,522	5,522	5,522	66,264
Miscellaneous Income	192	192	616	192	192	1,363	1,692	722	3,008	1,131	1,401	1,131	11,831
Other Space Rent	262	0	2,542	0	1,511	1,331	1,450	1,697	3,615	1,245	2,390	2,200	18,243
HVAC -After Hours	14,150	0	1,950	1,889	33,089	71,150	3,700	15,150	0	0	5,400	900	147,378
Parking Income	3,904	2,963	3,904	3,904	3,904	3,956	4,897	2,870	3,984	2,398	2,898	3,398	42,981
Shared Tenant Services	1,950	2,025	1,650	2,625	900	1,350	525	900	1,275	525	750	525	15,000
Above Standard Services	3,427	1,280	2,272	1,280	2,911	8,239	1,556	9,668	7,097	2,411	6,142	2,270	48,553
Storage Space	3,627	3,476	3,627	3,627	3,627	3,627	7,254	3,627	3,627	3,772	3,772	3,772	47,433
Work Order Income	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income -Property	0	229	153	152	162	143	157	160	146	0	0	0	1,302
Automated Teller Machines (AT	555	555	555	555	555	555	555	555	555	555	555	555	6,660
TOTAL OTHER INCOME	34,589	17,282	23,631	20,587	53,830	98,282	28,353	41,917	29,875	18,605	29,875	26,819	423,645
TOTAL REAL ESTATE OPERA	816,951	1,526,940	1,058,561	1,363,749	1,491,521	1,274,939	1,657,650	1,177,341	1,410,880	885,735	1,356,323	1,295,609	15,316,200

TNP

12 Month Income Statement Forecast (Investor Rep)

NNN 123 North Wacker LLC

Cash	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Total
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast
													693
FEE INCOME													
Admin / Acct Fee Income	395	0	99	0	172	708	41	818	478	0	75	24	2,810
TOTAL FEE INCOME	395	0	99	0	172	708	41	818	478	0	75	24	2,810
TOTAL REVENUE	817,346	1,526,940	1,058,860	1,363,749	1,491,694	1,275,647	1,657,992	1,178,159	1,411,358	885,735	1,356,398	1,295,633	15,319,010
OPERATING EXPENSES													
RECOVERABLE EXPENSES													
CLEANING EXPENSE													
Day Porter	0	8,288	0	8,288	16,765	24,864	8,477	8,477	8,685	8,685	0	17,370	109,899
Carpet/Drapes Cleaning	0	0	0	0	0	0	0	0	0	0	0	0	0
Janitorial Contract	66,032	59,778	0	57,744	0	164,943	59,295	0	175,501	58,868	0	106,193	748,132
Engineer Uniforms	270	900	804	424	148	704	103	574	537	356	0	509	5,288
Janitorial Supplies & Materials	7,378	3,025	5,873	5,076	4,034	5,789	0	6,052	3,033	6,655	0	5,141	52,955
Window Washing	5,103	0	882	813	7,948	813	0	10,940	813	813	0	1,694	29,970
TOTAL CLEANING EXPENSES	78,782	71,990	7,558	72,344	28,895	197,112	67,875	26,043	188,568	75,376	0	130,908	945,750
REPAIRS & MAINTENANCE													
Common Area Signage	0	0	0	0	0	0	222	0	402	0	0	0	824
Door Locks & Keys	0	0	0	0	0	2,183	0	1,495	0	0	0	706	4,384
Electrical Contracts/Repairs	4,719	0	0	0	0	155	925	0	0	878	0	0	6,678
Elevator Contract - Rep & Maint	8,415	0	8,415	8,415	0	8,415	26,480	20,517	9,511	0	0	17,447	107,616
Elevator Supplies	5,170	0	0	0	0	325	0	-3,070	0	0	0	2,397	4,823
Fire and Life Safety	2,414	609	208	1,476	0	887	1,983	11,254	0	2,810	0	2,152	23,793
HVAC Contracts/Material	28,699	13,209	2,215	25,449	2,239	4,070	37,738	13,350	8,725	7,882	0	2,468	146,045
Interior Repairs & Maintenance	5,060	0	0	0	923	0	0	0	375	0	0	0	6,358
Holiday Decorations	0	0	1,326	0	0	0	0	0	0	0	0	0	1,326
Lighting Fixtures & Lights	902	1,019	0	5,462	2,442	2,698	0	2,122	2,439	1,666	0	-9,357	9,392
Metal Maintenance	4,172	4,338	0	13,015	0	8,677	0	8,677	4,338	4,338	0	4,338	51,893
Window Repair / Replacement	0	0	0	0	0	0	0	0	0	0	0	0	2,808
Other Building Repairs & Mainte	8,842	10,428	5,608	14,615	6,749	2,579	3,394	3,773	9,104	4,375	0	3,988	73,456
Pest Control -Interior	319	227	454	227	227	387	0	775	387	0	0	387	3,390

TNP

12 Month Income Statement Forecast (Investor Rep)

NNN 123 North Wacker LLC

Cash

PROJ: 693

	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Total Forecast
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast
Plumbing	6,129	1,820	1,239	2,035	477	1,978	0	1,765	1,412	872	0	2,188	19,918
Roof Repairs	0	31,542	0	0	0	1,886	0	1,392	0	8,400	0	0	43,220
Salaries & Wages-R&M	35,568	8,502	11,730	85,519	53,705	29,989	28,485	67,006	57,239	44,068	50,505	57,265	529,581
Security Devices	671	660	119	4,115	1,299	340	67	2,248	573	688	0	1,241	11,980
Security Service Contract	38,842	39,463	39,760	38,763	34,804	35,425	71,219	0	84,489	0	0	84,258	487,024
Exterior Painting and Graffiti Re	0	0	0	0	0	0	0	0	0	0	0	0	0
Painting Miscellaneous	1,510	0	0	0	0	0	0	0	240	0	0	375	2,125
Interior Plant Maintenance	1,924	797	468	797	797	797	0	1,595	797	797	0	1,595	10,367
Snow Removal	0	512	0	1,530	0	0	0	0	0	0	0	850	2,892
TOTAL REPAIRS & MAINTENANCE	153,356	113,117	71,545	201,417	103,663	100,793	170,514	132,899	180,029	76,745	50,505	175,106	1,529,558
UTILITIES													
Electric	130,112	526	152,282	24,434	114,791	998	967	106,018	62,129	50,772	18,477	76,565	738,072
Sewer	1,834	1,876	2,458	1,657	1,574	1,750	2,225	3,161	2,243	3,418	2,076	2,705	26,976
Trash Removal	1,197	1,196	-672	1,166	3,273	930	971	897	-265	1,312	0	668	10,733
Telephones	1,575	599	2,819	2,853	598	3,177	970	2,468	677	305	430	1,773	18,746
Internet Account	678	681	1,051	2,991	170	1,445	750	1,695	1,449	637	764	454	12,768
Water	2,060	2,039	2,672	1,801	1,711	1,902	2,418	3,436	2,438	3,715	2,257	2,940	29,938
Direct Billing_ Electric Reimb	0	0	0	0	0	0	0	0	0	0	0	0	0
Direct Billing_ Trash Reimb	-800	-800	-800	-800	-800	-800	-800	0	-1,600	-800	-800	-800	-9,600
Direct Billing_ Water	0	-396	0	0	0	0	0	0	0	0	0	0	0
TOTAL UTILITIES	136,657	5,721	159,811	34,103	121,316	9,403	7,501	117,675	67,072	59,358	23,203	84,305	826,126
ADMINISTRATIVE													
Administrative -Other	0	0	0	0	0	0	0	0	0	0	0	264	264
On-Site Manager Payroll	16,000	0	42,875	25,168	13,988	4,494	4,693	18,819	9,512	15,355	0	20,531	171,438
Temporary Office Help	0	1,007	3,167	2,499	2,787	6,255	2,423	7,762	4,319	5,282	0	7,637	43,139
Payroll -Allocated Salary	0	0	0	0	0	0	0	0	0	0	0	0	0
Postage & Delivery	528	139	-44	448	332	184	180	614	176	349	0	240	3,145
Office Expense	718	1,350	1,785	2,298	1,884	827	141	3,414	1,320	2,669	0	2,215	18,620
Tenant Relations	2,690	85	0	600	76	0	0	3,520	0	57	0	8,215	15,243
Dues and Subscriptions	8,100	0	-170	797	95	0	0	35	86	46	175	0	9,164
Mileage & Travel	0	0	0	436	0	0	0	0	0	0	0	0	436
Employee Relation & Training	0	0	325	205	0	0	0	0	0	371	0	0	907
Manager/Engineer Office Rent	9,483	9,483	9,483	9,483	9,483	9,483	9,483	9,483	9,483	9,483	9,483	9,483	113,791

TNP
12 Month Income Statement Forecast (Investor Rep)
NNN 123 North Wacker LLC

Cash

PROJ: 693

	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Total Forecast
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	
TOTAL ADMINISTRATIVE	37,518	12,063	57,421	41,933	28,646	21,243	16,919	43,647	24,895	33,611	9,658	48,584	376,136
MANAGEMENT FEES													
Prop Mgmt Fees -TNP Entities	45,138	0	0	45,709	10,317	55,480	0	23,708	33,123	22,908	27,891	23,637	287,910
TOTAL MANAGEMENT FEES	45,138	0	0	45,709	10,317	55,480	0	23,708	33,123	22,908	27,891	23,637	287,910
REAL ESTATE TAXES													
Real Property Taxes	0	2,279,383	0	0	0	0	2,298,865	0	0	0	0	-42,853	4,535,955
Property Tax Appeal/Service	10,100	0	0	10,000	0	0	0	0	0	0	0	0	20,100
TOTAL REAL ESTATE TAXES	10,100	2,279,383	0	10,000	0	0	2,298,865	0	0	0	0	-42,853	4,556,055
PROPERTY INSURANCE													
Liability Insurance	0	0	18,163	0	0	0	0	0	0	0	0	0	18,163
Property Insurance	0	0	61,056	0	0	0	0	0	0	0	0	0	61,056
TOTAL PROPERTY INSURANCE	0	0	79,220	0	0	0	0	0	0	0	0	0	79,220
TOTAL RECOVERABLE EXPENSES	461,550	2,482,274	375,554	405,505	292,836	384,031	2,561,674	343,971	493,687	267,999	111,257	419,686	8,600,194
NON RECOVERABLE EXPENSES													
Other Non Recoverable Cost (n	269	5,227	496	5,727	3,223	4,753	2,842	4,064	5,223	4,610	0	25,178	61,612
Misc (non Recoverable)	743	6,519	150	2,380	613	5,367	145	585	143	290	145	936	18,017
TOTAL NON RECOVERABLE EXPENSES	1,012	11,746	646	8,107	3,836	10,120	2,987	4,649	5,365	4,900	145	26,114	79,628
TOTAL OPERATING EXPENSE	462,562	2,494,020	376,200	413,612	296,673	394,151	2,564,661	348,620	499,052	272,898	111,402	445,800	8,679,823
TOTAL NET OPERATING INCOME	354,784	-967,080	682,460	950,136	1,195,021	881,495	-906,969	829,539	912,306	612,837	1,244,996	849,832	6,639,357
OWNER EXPENSES													
FEES													
Legal Fees	195	0	12,927	0	585	1,719	894	435	0	1,077	0	1,100	18,932

TNP
12 Month Income Statement Forecast (Investor Rep)
NNN 123 North Wacker LLC

Cash	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Total Forecast
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast
PROJ: 693													
Professional Fees	35,002	260	27,803	4,034	15,716	9,396	421	0	1,718	2,081	0	0	96,430
Bank Fees / Late Fees	1,350	1,525	1,316	1,318	1,296	1,347	1,384	1,309	1,293	1,249	1,287	1,238	15,911
Ground Rent	0	-300	300	0	0	0	0	0	0	0	0	0	0
State Franchise Tax	0	4,400	250	1,100	0	0	0	0	5,494	0	0	0	11,244
TOTAL FEES	36,547	5,885	42,596	6,451	17,596	12,461	2,698	1,744	8,505	4,407	1,287	2,338	142,517
MARKETING & ADVERTISING													
Advertisement	1,125	0	0	0	0	0	0	0	0	0	0	328	1,333
TOTAL MARKETING & ADVER	1,125	0	0	0	0	0	0	0	0	0	0	328	1,333
TOTAL OWNERS EXPENSES	37,672	5,885	42,596	6,451	17,596	12,461	2,698	1,744	8,505	4,407	1,287	2,667	143,970
INTEREST EXPENSE													
Mortgage Interest Expense	538,057	538,057	485,987	538,057	520,701	538,057	520,701	538,057	538,057	0	0	0	4,753,522
Other Secured Loans Interest	83,936	83,936	75,813	83,936	81,229	83,936	81,229	83,936	83,936	0	0	0	741,987
Unsecured Loan Interest	1,550	7,700	2,950	1,550	6,150	1,550	3,050	1,550	1,550	1,550	1,550	1,447	32,977
Loan Fees/Costs Int	37,169	6,270	6,270	5,868	6,270	6,069	6,270	37,169	37,370	0	500	0	149,855
TOTAL INTEREST EXPENSE	660,712	635,963	571,020	629,211	614,349	629,613	611,249	660,712	660,913	1,550	2,050	1,447	5,678,800
NET INCOME	-343,601	-1,608,928	68,843	314,474	563,076	239,421	-1,520,917	167,083	242,888	606,880	1,241,659	845,718	816,597
CASH FLOW ADJUSTMENTS													
LENDER RESERVES													
Reserve -Property Taxes	-344,844	1,934,539	-344,844	-344,844	-344,844	-344,844	1,954,021	-344,844	-344,844	0	0	-689,689	784,961
Reserve -Insurance	-4,777	-4,777	74,443	-4,777	-4,777	-4,777	-4,777	-4,777	-4,777	0	0	-9,553	26,877
Reserve -TIVLC	-56,320	-56,549	-5,073	-65,088	-56,482	-21,517	-170,497	-71,139	141,034	117,253	52,018	0	-192,359
Reserve -Capital Replacement	-4,504	-4,504	20,177	-4,504	-4,504	20,958	-4,504	10,166	-4,504	0	0	0	24,280
TOTAL LENDER RESERVES	-410,444	1,868,709	-255,297	-419,212	-410,606	-350,179	1,774,244	-410,593	-213,091	117,253	52,018	-699,242	643,560

TNP
12 Month Income Statement Forecast (Investor Rep)
NNN 123 North Wacker LLC

Cash	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Total Forecast
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast
ACCOUNTS RECEIVABLE													
Escrow Deposits	0	0	0	-45,000	0	-35,000	0	-70,000	0	0	0	0	-150,000
TOTAL ACCOUNTS RECEIVABLE	0	0	0	-45,000	0	-35,000	0	-70,000	0	0	0	0	-150,000
FIXED ASSETS													
WORK IN PROGRESS													
WIP -Tenant Related	0	0	0	0	0	0	0	-14,078	0	-104,785	0	0	-118,863
TOTAL WORK IN PROGRESS	0	0	0	0	0	0	0	-14,078	0	-104,785	0	0	-118,863
REAL ESTATE													
Capital Improvements	0	0	0	0	0	0	0	0	0	0	0	-80,850	-80,850
Tenant Improvements	0	0	0	0	0	0	0	0	0	0	0	-42,506	-42,506
TOTAL REAL ESTATE	0	0	0	0	0	0	0	0	0	0	0	-123,356	-123,356
AMORTIZABLE ASSETS													
Lease Commissions	0	0	0	0	0	-51,986	0	-10,714	-198,985	-4,626	0	-9,513	-275,944
Capitalized Leasing Legal Costs	0	0	-3,349	0	-5,248	-2,131	-1,100	-2,658	0	229	0	1,100	-13,457
TOTAL AMORTIZABLE ASSET	0	0	-3,349	0	-5,248	-54,098	-1,100	-13,372	-198,985	-4,397	0	-8,413	-288,151
SECURITY DEPOSIT													
Security/Tenant Deposits	0	0	77,000	-2,000	0	0	0	0	0	14,754	0	0	89,754
TOTAL SECURITY DEPOSIT	0	0	77,000	-2,000	0	0	0	0	0	14,754	0	0	89,754
TOTAL CASH FLOW ADJUST	-410,444	1,868,709	-181,646	-466,212	-415,854	-439,277	1,773,144	-508,043	-412,076	22,825	52,018	-831,010	52,134
TOTAL NET CASH FLOW	-754,045	259,781	-112,802	-151,739	147,221	-199,855	252,227	-340,960	-168,188	629,705	1,293,678	14,708	868,731
BEGINNING CASH BALANCE	1,550,378	796,333	1,056,114	943,312	791,573	938,794	738,939	991,166	650,206	481,019	1,110,723	2,404,401	1,550,378

Appendix E

Liquidation Analysis

[To Come]

Appendix F

Property's Financial Projections

CONSOLIDATED CASH FLOW				
	<u>Total (Yrs. 1-3)</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Rental Revenue	26,150,941	7,499,837	8,883,849	9,767,255
Rent Haircut - Early Leasing Momentum	(540,676)		(270,338)	(270,338)
Reimbursements	20,986,469	5,773,366	7,523,118	7,689,985
<u>Other Income + Vacancy</u>	<u>956,975</u>	<u>319,219</u>	<u>317,203</u>	<u>320,553</u>
Total Income	47,553,709	13,592,422	16,453,832	17,507,455
Total Operating Expenses	28,709,313	9,273,417	9,572,687	9,863,209
Net Operating Income (NOI)	18,844,396	4,319,005	6,881,145	7,644,246
Replacement Reserves	(345,982)	(111,935)	(115,295)	(118,752)
Leasing Costs	(12,642,459)	(3,906,725)	(5,165,451)	(3,570,283)
Common Area Renovations	(2,090,900)	(1,295,225)	(795,675)	0
Total Capital Expenditures	(15,079,341)	(5,313,885)	(6,076,421)	(3,689,035)
Draws for CapEx from TILC Reserve	14,822,792	5,313,885	6,076,421	3,432,486
Net Cash Flow Before Debt Service	18,587,847	4,319,005	6,881,145	7,387,697
A Note Debt Service - at Pay Rate	14,113,533	3,889,171	3,889,171	6,335,191
B Note Debt Service - at Pay Rate	1,270,646	141,183	141,183	988,280
Total Senior Loan Debt Service	15,384,178	4,030,354	4,030,354	7,323,471
Net Cash Flow After Senior Debt Service	3,203,668	288,651	2,850,791	64,226
Equity Return paid from NCF	(2,555,361)	(288,651)	(2,202,484)	(64,226)
Net Cash Flow After Equity Return	648,307	0	648,307	0

ANNUAL CASH FLOW AND ASSUMPTIONS

	Year 1 Jun-2015	Year 2 Jun-2016	Year 3 Jun-2017
For the Years Ending			
Potential Gross Revenue			
1 Base Rental Revenue	\$9,703,197	\$11,047,524	\$11,546,268
1 Absorption & Turnover Vacancy	(800,808)	(79,146)	(320,530)
1 Base Rent Abatements	(1,402,552)	(2,084,529)	(1,458,483)
2 Rent Haircut	0	(270,338)	(270,338)
Scheduled Base Rental Revenue	7,499,837	8,613,511	9,496,917
3 Expense Reimbursement Revenue			
3 Janitorial Contract	453,796	590,417	603,027
3 Cleaning Supplies & Other	150,254	195,512	199,680
3 Security Contract	298,074	387,796	396,076
3 Repairs & Maintenance	459,151	597,403	610,153
3 R&M Salaries	456,998	594,571	607,284
3 R&M Grounds	41,477	53,963	55,095
3 Utilities	611,326	795,376	812,361
3 Property Management	123,889	172,767	182,709
3 Insurance	51,813	67,414	68,848
3 Property Taxes	2,837,111	3,691,285	3,770,085
3 Administrative	114,209	148,582	151,767
3 Admin Salaries	175,268	228,032	232,900
Total Reimbursement Revenue	5,773,366	7,523,118	7,689,985
Parking	42,265	43,533	44,840
HVAC After Hours	93,164	95,957	98,837
Other Income			
	258,788	266,551	274,548
Total	258,788	266,551	274,548
Total Potential Gross Revenue	13,667,420	16,542,670	17,605,127
Collection Loss	(74,998)	(88,838)	(97,672)
Effective Gross Revenue	13,592,422	16,453,832	17,507,455
4 Operating Expenses			
4 Janitorial Contract	722,463	744,138	766,462
4 Cleaning Supplies & Other	239,229	246,406	253,798
4 Security Contract	474,530	488,764	503,429
4 Repairs & Maintenance	731,004	752,936	775,523
4 R&M Salaries	727,560	749,387	771,868
4 R&M Grounds	66,024	68,007	70,045
4 Utilities	973,262	1,002,458	1,032,532
4 Property Management	194,065	220,951	230,924
4 Insurance	82,486	84,962	87,508
4 Property Taxes	4,516,820	4,652,325	4,791,896
4 Administrative	181,821	187,275	192,893
4 Admin Salaries	279,032	287,404	296,026
4 Owners Expense	85,121	87,674	90,305
Total Operating Expenses	9,273,417	9,572,687	9,863,209
Net Operating Income	4,319,005	6,881,145	7,644,246
Leasing & Capital Costs			
5 Tenant Improvements	3,027,648	3,927,057	2,625,560
5 Leasing Commissions	879,077	1,238,394	944,723
Replacement Reserves	111,935	115,295	118,752
6 Building Systems	522,725		
6 Common Areas	257,500	265,225	
6 Other Cap Ex	515,000	530,450	
Total Leasing & Capital Costs	5,313,885	6,076,421	3,689,035
Cash Flow Before Debt Service & Taxes	(\$994,880)	\$804,724	\$3,955,211

Assumptions

- 1 Based on current leases and certain market leasing assumptions.
- 2 The rent haircut is a discount to the market leasing assumptions, discounting the need to quickly lease space.
- 3 Expenses reimbursements are based on current tenant leases (typically NNN).
- 4 Expenses based on historical actual expenses, 2014 budget and increased 3% annually.
- 5 Market Leasing Assumptions:

Floors:	1 - 10	11 - 20	28 - 30
Renewal Probability:	65%	65%	65%
Rate:	\$20	\$21	\$22
Term:	5 or 10 Years	5 or 10 Years	5 or 10 Years
Free Rent:	5 or 10 Months	5 or 10 Months	5 or 10 Months
Tenant Improvements:	\$30 - \$65 PSF	\$30 - \$65 PSF	\$30 - \$65 PSF
New Leasing Commissions:	7 - 8%	7 - 8%	7 - 8%
Renewal Leasing Commissions:	5%	5%	5%
Annual Increase in Rent:	3%	3%	3%
- 6 Capital expenditures based on a budget provided by the current property manager and engineering reports.