

PURCHASE AGREEMENT

This Agreement is entered into effective as of the July 19, 2012 ("Effective Date") by and between Gregg Franke and Chris Johnson, (Seller) S&D Real Estate Solutions LLC and/or Assigns (Buyer).

In good and valuable consideration of this Agreement, Seller and Buyer agree as follows:

1. PROPERTY: Upon the terms and conditions set forth herein, Seller agrees to sell and transfer to Buyer, and Buyer agrees to purchase the following property (collectively referred to herein as "Property"):

- a. Real Property. A 15 unit apartment property located at 434 Lafond Avenue, in the City of St. Paul, County of Ramsey, State of Minnesota, together with any buildings and improvements thereon, and all Seller's right, title and interest in and to all easements ("Real Property").
- b. Personal Property. All personal property owned by Seller and used in the operation of the building and improvements, including but not limited to all fixtures, all appliances, furniture, non-leased equipment, and all other equipments and machinery owned and used by Seller in connection with the operation, maintenance and repair of all or any portion of the Real Property ("Personal Property")
- c. Records. All records in possession of Seller regarding the Real Property for the three years prior and up to the Closing (as defined herein) including all records regarding management and leasing, real estate taxes and assessments, insurance, capital improvements and services.
- d. Leases. All of Seller's interests as lessor or landlord in and to all apartment leases, garage leases, and in any separate leases for storage with respect to the Real Property.
- e. Permits. All of Seller's interests in assignable permits and licenses related to the Real Property and Personal Property.
- f. Service Contracts. All of Seller's interests under any assignable service contracts relating to the operation and maintenance of the Real Property of which Buyer declares to assume at Closing. Any service contracts which Buyer does not elect to assume shall be canceled by Seller prior to the Closing.
- g. Intangible Property. All of that certain intangible property owned by Seller and used by Seller in connection with the operation of all or any portion of the Real Property and Personal Property, including all rights, if any, to signage and telephone numbers established in connection with the Real Property.

2. PURCHASE PRICE: The Purchase Price is THREE HUNDRED SEVENTY TWO THOUSAND DOLLARS (\$372,000) which Buyer agrees to pay as follows:

- a. Buyer, within five (5) business days following the receipt of an executed original of this agreement from Seller, Buyer will deposit Ten Thousand and no/100 DOLLARS (\$ 10,000.00) with _____ Trust Account., ("Earnest Money"). The earnest shall be applied to the Purchase Price at Closing.
- b. At Closing, Buyer will deposit with the title company the balance of the Purchase Price, a total amount of Three Hundred Sixty two thousand Dollars (\$ 362,000) by wire transfer the title company's designated account, subject to any closing adjustments including, but not limited to rent and security deposit prorations, closing costs and other agreed expenses.

3. CLOSING AND POSSESSION DATE(S): Subject to the terms and conditions of this Agreement, the closing of the purchase and sale contemplated by this Agreement ("Closing") shall occur on or before August 28, 2012 ("Closing Date"), or other such time as may be agreed upon in writing by Seller and Buyer. The Closing shall take place at the office of the title company or other such place as may be mutually agreed upon. Documents may be signed at remote locations as coordinated and agreed to by Seller, Buyer and Title Company.

4. EXISTING FINANCING: Unless otherwise provided in this Agreement, Seller shall make any payments required on existing mortgages or deeds of trust until Closing.

5. PRORATIONS: Seller and Buyer hereby agree to the following prorations:

- a. Seller shall pay all costs of obtaining the Title Evidence and Buyer will pay all costs associated with Buyer's owner's policy or any lender's policy or endorsements, specifically all premiums. Seller and Buyer will equally divide the closing fee or charge imposed by Title Company.
- b. Real estate taxes for all prior years and special assessments for work levied or pending as of the Effective Date of this Agreement shall be paid by Seller. Real estate taxes due and payable in the year of closing shall be prorated as of closing date on the basis of a 12 month period which commenced the December 31, prior to closing. Special assessments levied or pending after the Effective Date of this Agreement shall be paid by Buyer. Buyer shall pay all real estate taxes due and payable in years after closing.
- c. All rents under the leases, together with all income and utility expenses from the Property shall be prorated as of the Closing Date. All Security Deposits paid by tenants pursuant to the Security Deposit Agreements or Lease Agreements together with any statutory interest accrual shall be credited to Buyer at Closing.
- d. Sellers shall pay all State Deed Tax due and payable in connection with the Closing. Buyer shall pay the cost of recording the deed, any mortgage registration tax and the cost to record any mortgage or other security agreement.

6. **TITLE EVIDENCE:** Seller shall furnish to Buyer, within twenty (20) days of the Effective Date, at Seller's sole cost and expense, a commitment for title insurance, issued by Title Company, properly certified, including proper searches covering bankruptcies, state and federal tax liens, judgments, unpaid taxes, assessments and pending assessments ("Title Commitment"). Buyer shall have ten (10) days after receipt of the Title Commitment (the "Title Review Period") in which to notify Seller in writing of any objections Buyer has regarding any matters shown on or referred to in the Title Commitment. Any matters which are set forth in the Title Commitment and to which Buyer does not object within the Title Review Period shall be deemed to be permitted encumbrances to title ("Permitted Encumbrances") and the deed given by Seller to Buyer at Closing shall be subject to these Permitted Encumbrances.

7. **INSPECTIONS:** Seller shall grant Buyer reasonable access (at least 24 hour notice during normal business hours) to the Property for a period of fourteen (14) days after the Effective Date (the "Contingency Period") for the purpose of inspecting the physical and environmental condition of the Property. Buyer's inspection rights shall include performing all property condition and environmental tests as Buyer may reasonably request. Buyer agrees to repair any damage to the Property arising from these inspections and to indemnify, defend and hold Seller harmless from and against all claims, costs, demands and expenses, including without limitation, reasonable attorney's fees, court costs and other legal expenses, resulting from these inspections. Buyer's obligations imposed by this paragraph shall survive termination of this Agreement and Closing.

If the results of any of Buyer's inspections are unsatisfactory to Buyer, in its sole and absolute discretion, Buyer must notify Seller in writing before the expiration of the Contingency Period and this Agreement shall be terminated all earnest money paid shall be immediately refunded to Buyer.

If, at the expiration of the Contingency Period, Buyer has not provided Seller with written notice to terminate this Agreement, Buyer shall be deemed to be thoroughly acquainted and satisfied with the physical condition of the Property, with the sole exception of the terms of the paragraph entitled "INSURANCE; MAINTENANCE; CASUALTY; CONDEMNATION; CHANGE OF CONDITION" of this Agreement.

Buyer, or Buyer's representatives, may re-inspect the Property before Closing upon reasonable notice to Seller.

8. **CONDITION OF PROPERTY:** Subject to Buyer's right to terminate this Agreement during the Contingency Period and subject to the express representations and warranties of Seller as set forth in this Agreement, Buyer agrees to accept the condition of the Property, including specifically without limitation, the environmental and geological condition of the Property, in an "AS-IS, WHERE IS AND WITH ALL FAULTS" condition. Buyer's acceptance of title to the Property shall represent Buyer's acknowledgment that, except as expressly set forth in this Agreement: (i) Seller has not made any written or oral representation or warranty of any kind with respect to the Property (including, without limitation, express or implied warranties of title, merchantability or fitness for a particular purpose); (ii) Buyer has not relied on any written or oral representation or warranty made by Seller, its agents or employees with respect to the condition or value of the Property; (iii) Buyer has had an adequate opportunity to inspect the condition of the Property, including without limitation any environmental testing, and to inspect documents applicable thereto, and Buyer is relying solely on such inspection and testing; and (iv) the condition of the Property is fit for Buyer's intended use. Upon the Closing, Buyer accepts the property in its "AS IS, WHEREIS AND WITH ALL FAULTS" condition and assumes the risk that adverse matters, including, but not limited to adverse physical and environmental conditions, may not have been revealed by Buyer's inspections and investigations.

9. DOCUMENT REVIEW: Within five (5) days of the Effective Date Seller is to provide to Buyer the following documents (the "Documents"):

- a. A current rent roll and copies of all residential leases, verbal and written, including any modifications or amendments thereto. Garage leases, if any, shall be provided and a list of rental concessions offered.
- b. All Security Deposit Agreements
- c. Buyer will have access for a complete inspection of all apartment units and common areas of the Property.
- d. All licenses, permits, maps, certificates of occupancy, insurance policies, written code violations or other notices which affect the property, building inspection approvals, and any covenants, conditions and restrictions relating to the Property, if available.
- e. A list of all personal property owned or leased by Seller and used in the operation of the property.
- f. All service contracts, written and verbal, including maintenance contracts, laundry, management contracts and warranties, if any, relating to the property, as well as any current soils reports, surveys, site plans, engineering and architectural studies or reports, environmental reports, appraisals in Seller's possession, and any other reports completed by Seller concerning the Property.
- g. 2009, 2010, 2011, and 2012 year to date operating statements.

If in review of the Documents, Buyer decides, in its sole and absolute discretion, that the Property is not suitable to the Buyer's purposes, Buyer must notify Seller in writing before the expiration of the Contingency Period and this Agreement will be terminated.

10. Financing

Buyer's performance hereunder is expressly conditioned upon Buyer's obtaining a financing commitment for purchase of the Property on or before Aug 21, 2012 which financing shall be upon terms and conditions satisfactory to Buyer in Buyer's sole discretion. If such financing commitment has not been obtained by said date, this Agreement shall be voidable at the option of either party, and if so voided, all earnest money paid shall be immediately refunded to Buyer.

11. REPRESENTATIONS and WARRANTIES: Seller is an investor with limited knowledge of the Property and, accordingly, the following representations and warranties of the Seller are limited:

- a. To Seller's actual knowledge, there are no wells on the Real Property.
- b. To Seller's actual knowledge, no methamphetamine production has occurred on the Property.
- c. To Seller's actual knowledge, there are no underground or above ground storage tanks that had a release for which no corrective action was taken, subject to the exemptions of Minnesota Statute § 116.47 ¶ d. Seller is not a foreign person pursuant to the Foreign Investment in Real Estate Tax Act of 1980 ("FRIPTA").
- d. To Seller's actual knowledge, sewage from the Real Property goes to a facility permitted by the Minnesota Pollution Control Agency.

Buyer acknowledges that neither Seller nor any party on Seller's behalf has made, nor do they hereby make, any representations as to the past, present or future condition, income, expenses, operation or any other matter or thing affecting or relating to the Property except as expressly set forth in this Agreement. Buyer agrees to assume full responsibility for completing Buyer's investigation of the Property in such a manner as to answer all questions necessary to make the decision to purchase the Property.

12. DELIVERY OF DEED; PAYMENT; DISBURSEMENT OF PROCEEDS: At or before Closing, Seller agrees to properly execute and deliver into escrow a Warranty Deed, a Bill of Sale for any personal property sold under this Agreement, and all other documents necessary to complete the Closing. The Warranty Deed shall convey to Buyer

marketable fee simple title to the Property, free and clear of all liens and encumbrances, other than the Permitted Exceptions. At or before the Closing, Buyer shall deliver into escrow a cashier's check or guaranteed funds sufficient to satisfy their respective obligations under this Agreement.

13. **INSURANCE; MAINTENANCE; CASUALTY; CONDEMNATION; CHANGE OF CONDITION:** Seller agrees to maintain Seller's current fire and extended coverage insurance, if any, on the Property until Closing. Seller shall do ordinary and necessary maintenance, upkeep and repair to the Property through Closing. If, before Closing, all or any part of the Property is taken by eminent domain, or if a condemnation proceeding has been filed or is threatened against the Property or any part thereof, or if all or any part of the Property is destroyed or materially damaged after the Contingency Period, Seller shall promptly provide written notice to Buyer of any such event. Upon notice of such occurrence, Buyer may re-inspect the Property and may, by written notice to Seller within ten (10) days after receiving Seller's notice, terminate this Agreement. Unless this Agreement is so terminated, it shall remain in full force and effect, and Seller shall, at Closing, assign and transfer to Buyer all of Seller's right, title and interest in and to any awards that may be made for any taking and any insurance proceeds payable on account of casualty. The provisions of this paragraph shall survive Closing.

14. **TERMINATION:** If this Agreement is terminated by either party pursuant to a right expressly given in this Agreement prior to the expiration of the Contingency Period (as defined in Paragraph 7), Buyer shall be entitled to an immediate return of the Earnest Money, upon execution of a Quit Claim Deed to the Seller and proof of payment of all persons or entities that performed any inspections, surveys or other work which could result in a lien against the Real Property. Thereafter, neither party shall have any further rights or obligations under this Agreement except as otherwise stated in this Agreement. If Buyer fails to provide Seller with written notice of termination of this Agreement prior to expiration of the Contingency Period, the Earnest Money shall become non-refundable.

15. **DEFAULT AND REMEDIES:** Seller or Buyer shall be in default under this Agreement if either fails to comply with any material covenant, agreement or obligation within any time limits required by this Agreement. Following a default by either Seller or Buyer under this Agreement, the other party shall have the following remedies:

- a. If Seller defaults, Buyer may terminate this Agreement by written notice to Seller and all Earnest Money shall be returned to Buyer.
- b. If Buyer defaults, Seller may terminate this Agreement by written notice to Buyer and retain the Earnest Money as liquidated damages as Seller's sole remedy (the parties recognizing that it would be extremely difficult to ascertain the extent of actual damages caused by Buyer's breach, and that the Earnest Money represents as fair an approximation of such actual damages as the parties can now determine).

16. **ENTIRE AGREEMENT AND MANNER OF MODIFICATION:** This Agreement, and any attachments or addenda hereto, constitute the complete agreement of the parties concerning the Property, supersede all other agreements and may be modified only by initialing changes in this Agreement or by written agreement.

17. **ASSIGNMENT OF AGREEMENT TO LIMITED LIABILITY COMPANY:** Seller acknowledges that Buyer may assign this Agreement to a newly-created or existing affiliated limited liability company prior to Closing and Seller hereby consents to such assignment, provided however, that any assignment of any rights and/or obligations of Buyer under this Agreement by Buyer will not release Buyer from any liabilities or obligations as Buyer hereunder.

18. **NOTICES:** All notices, consents, requests, waivers, objections or other communications (collectively "Notices") required under this Agreement shall be in writing and shall be served by hand delivery, by prepaid U. S. Postal Service certified mail, return receipt requested, or by reputable overnight delivery service guaranteeing next-day delivery and providing a receipt. All Notices shall be addressed to the parties at the respective addresses as set forth below, except that any party may, by notice in the manner provided above, change this address for all subsequent Notices.

If to Seller:

If to Buyer:

S&D Real Estate Solutions, LLC
1042 Centerville Circle
Vadnais Heights, MN 55127

19. ENTIRE AGREEMENT: MODIFICATION: This Agreement constitutes the complete agreement between the parties and overrides any prior oral or written agreements between the parties regarding the Property. There are no verbal agreements that change this Agreement and no waiver of any of its terms will be effective unless in writing executed by both parties.

20. AGENCY. Midwest Apartment Brokers ("Broker") will be representing Seller as broker in this sale and is entitled to payment of a commission from Seller upon consummation of the purchase and sale contemplated hereby. This relationship is called an agency. As Seller's agent, Broker owes Seller the duty of loyalty, obedience, disclosure, confidentiality, reasonable care and diligence, and full accounting.

However, Broker also represents the Buyer in this transaction. This means that Broker will owe the duties to the buyer that we owe to Seller. This conflict of interest will prohibit Broker from advocating exclusively on Seller's behalf when attempting to affect the sale of your property. Dual agency will limit the level of representation, which Broker can provide.

When dual agency arises, Seller needs to agree that confidential information about price, terms, and motivation will still be kept confidential unless Seller instructs Broker in writing to disclose specific information about this. In addition, Broker must disclose to both parties any information of which MAB is aware that a party will not perform in accordance with the terms of the Purchase Agreement or similar written agreement to convey real estate.

MAB cannot act as a dual agent unless both Buyer and Seller agree to the dual agency after it is disclosed to you. By agreeing to a dual agency, both Buyer and Seller will be giving up the right to exclusive representation in an in-house transaction. By your signatures, you agree to dual agency representation.

21. LIKE-KIND EXCHANGES: Either Seller or Buyer may elect to treat the transaction as a deferred like-kind exchange under Internal Revenue Code Section 1031. The parties agree to cooperate in the event that one or both elects such deferred exchange treatment, provided that the non-exchanging party shall incur no additional costs or burden beyond the scope of this Agreement, that the exchanging party provides reasonable advance notice of the exchange prior to Closing along with copies of the necessary documentation, and that said exchange will not delay the Closing.

22. COUNTERPART SIGNATURES: This Agreement may be signed in any number of counterpart each of which shall be deemed to be an original and all of which taken together shall constitute one instrument.

23. TIME IS OF THE ESSENCE OF THIS AGREEMENT.

24. This Purchase agreement is contingent on a short sale approval by the Seller's creditors that is mutually acceptable by the creditors and Seller. If such approval cannot be reached, Seller shall return all Earnest Money to Buyer and both parties will cancel this Purchase Agreement.

25. Seller will disclose to Buyer all open city work orders and Buyer agrees to purchase building with these orders open and Buyer will take all responsibility to complete the work orders. If Seller receives any new work orders, Seller must immediately disclose them to Buyer and Buyer may or may not accept responsibility for them.

Buyer: _____

By: S&D Real Estate Solutions, LLC

Its: Chief Operator

Date: 7/19/12

Seller: _____

By: _____

Its: _____

Date: _____