

# Baron Liquidating Trust

Jerome S. Rydell, Trustee

c/o



Business & Financial Consulting  
Real Estate Advisory & Brokerage  
Quality & Process Improvement

## Professional Management Company, LLC *Experienced Business, Financial and Real Estate Solutions™*

February 23, 2010

Dear Beneficiary of **Baron Liquidating Trust** (former holders of **Baron Capital Trust** and **Baron Capital Properties, L.P.**):

This letter, the **2009 Annual Report for Baron Liquidating Trust**, will provide you a brief update on the status of the liquidation process. Also included with this letter is your **grantor letter** (K-1 equivalent for a liquidating trust), needed for filing your 2009 income tax return.

The Trust's activities in 2009 were entirely administrative: generating the annual report and tax statements, investing the remaining cash, resolving minor tax issues relating to the dissolved subsidiary partnerships and transferring Trust Interests between beneficiaries.

A brief history of the wrap up of the trust follows.

### **Emergence from Bankruptcy**

On January 30, 2008, the U.S. Bankruptcy Court for the Middle District of Florida, Tampa Division, issued its final decree and Baron Liquidating Trust emerged from bankruptcy administration and its related costs. The court ruled that Baron's Plan of Reorganization had been substantially consummated, following the sale of over 1,450 apartments (prior to the sale of Dolphin Cove Apartments, later in that year), payment of all debts and the distribution of more than \$7.3 million (\$2.25 per trust interest) to the beneficiaries and another \$0.5 million to minority investors in the subsidiary limited partnerships.

In June and July 2008, after the sale of Dolphin Cove, we distributed \$0.60 per Trust Interest (an additional \$2.0 million) to the beneficiaries. This brings the total distributed to date to \$2.85 per Trust Interest or \$9.4 million to beneficiaries, plus more than \$0.5 million to the minority investors in subsidiary limited partnerships.

With the sale of Dolphin Cove in mid-2008, the Trust's expenses fell to approximately \$100,000 (or 3 cents per Trust interest) in 2009, compared to \$550,000 in 2008, when we were still managing apartments. We expect expenses to be even less in 2010, even though the Trust must prepay the cost of the final annual report and the final tax return of the Trust (which will be completed in early 2011, following the wrap up of the Trust in September 2010). Remaining activity concerns transfers of Trust Interests, preparing and filing annual tax returns and the annual report, responding to various inquiries concerning the predecessor companies and their tax returns and sending out the final distribution checks.

The Plan of Reorganization ("the Plan"), which regulates the liquidation of the Trust, remains in effect until the final distribution has been made and the Plan is completed. The Trust was created for five years and is scheduled to expire on September 22, 2010, the fifth anniversary of the confirmation of the Plan.

### **Remaining Assets**

The Trust has over \$1.0 million in cash, retained to cover potential income tax claims, future operating costs and unexpected contingencies. All of the cash has been invested in FDIC-insured bank accounts that are less than \$250,000 (the new FDIC limit), in Certificates of Deposit or interest bearing "sweep" accounts that are invested overnight. We hope that much of this cash can be distributed to you in the final distribution, but until all tax issues are resolved, there is no more cash to distribute to you.

### **Final Distributions to Beneficiaries**

We do not anticipate an extension of the Trust, so any final distribution would occur by September 22, 2010. Please note that a final annual report and grantor letter (for 2010) will be sent to you in February 2011. That will be the **final** communication from the Trust.

**Professional Management Company, LLC**

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The statute of limitations on most tax returns expires on September 15, 2010 (three years after the filing of the tax returns that include the sale of all properties other than Dolphin Cove). **Accordingly (in the absence of unexpected legal or tax issues), we plan to mail the final distribution on Tuesday, September 21, 2010** (the day before the Trust is terminated).

### **Resolution of Legal Proceedings**

The liquidating trust has no legal activity at present. All prior claims against former management have been resolved in confidential settlement agreements. We anticipate no further legal actions.

### **Grantor Letters (substitute K-1's)**

Enclosed is your 2009 grantor letter for Baron Liquidating Trust. All of the Baron legal entities have filed final tax returns with the exception of Baron Liquidating Trust.

**Please note that if you made a transfer or other change of ownership during the year, two separate grantor letters will be sent – one for the time before the change and another covering the time after the change.**

### **Transfers of Trust Interests**

Transfers of your Trust Interests from one form of ownership (such as an individual holding) to another (such as an IRA account or another individual) may be made by completing and mailing a properly signed transfer form to the Investor Services Department (see contact information below). Forms are available online at [www.ProfMgtCo.com](http://www.ProfMgtCo.com) by clicking on the **BARON LIQUIDATING TRUST** button. (If you do not have access to the Internet, please contact the Investor Services Department.)

Please note that the court approved Plan of Reorganization instructs us to close the beneficiary list and make no further transfers sixty days before the final distribution date. Therefore, **WE WILL BE UNABLE TO MAKE ANY TRANSFERS OF TRUST INTERESTS AFTER WEDNESDAY, JULY 21, 2010.** Final distribution checks will be made to the order of the beneficiaries of record on July 21, 2010 and any subsequent transfers will be the responsibility of the recipient of the check.

Beneficiaries who have not registered their Trust Interests **by July 21, 2010** will forfeit their interest and their funds will be redistributed to the other beneficiaries, under the terms of the Plan. (Only 19 beneficiaries out of over 1,300 remain unregistered. Call if you are uncertain if you are properly registered.)

Because we must update the liquidating trust's records and the tax preparer's software and provide a letter evidencing the change, we implemented **a fee of \$75.00 per transfer** in 2008 to offset the cost of processing the transfer. This has reduced the net cost of operating the Trust and avoided reducing the ultimate amount that we will be able to distribute to the beneficiaries.

### **Baron Liquidating Trust's Annual Report**

This letter serves as the annual report required by the Trust's Plan of Reorganization (which must be mailed to you within sixty days of the end of the year). The Trust's 2009 financial statement is enclosed. Please refer any questions you may have to the Investor Services department (see below).

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Please let us know if you have any questions or concerns.

Best regards,  
***Jerry Rydell***

Jerome S. Rydell  
*Trustee*  
Baron Liquidating Trust

***Stuart Jones***

Stuart W. Jones  
*President & CEO/Managing Partner*  
Professional Management Company, LLC  
Managing Agent for Baron Liquidating Trust