

Pride of Austin High Yield Fund I, LLC Receivership

June 10, 2024 Hearings on (i) Initial Status Report; (ii) Claims Procedure Motion; and (iii) Motion to Show Cause Why Robert Buchanan and CCG Capital Should Not Be Held In Contempt

Initial Status Report

Receiver's Investigation to Date

- Since Mr. Milligan's appointment on April 30, 2024, he has:
 - Analyzed the nature and status of POA assets and liabilities;
 - Communicated with relevant stakeholders (e.g., borrowers, guarantors, former POA personnel and retained professionals, insurance carriers, and property managers/brokers);
 - Diligently sought turnover of POA's books and records;
 - Retained professionals to assist him in performing obligations; and
 - Investigated potential litigation claims

Assets of Pride of Austin

- Pride of Austin's assets fundamentally consist of two categories:
 - Notes receivable secured by deeds of trust; and
 - REO properties (*i.e.*, properties that have been previously foreclosed upon by POA)

The Notes Receivable

- POA's books and records reflect the following outstanding notes receivable:
 - Six outstanding notes from Trinity Consulting and Construction, LLC;
 - One outstanding note from Hidden Oaks at Berry Creek Partners, LLC;
 - One outstanding note from CCG Development, LLC;
 - One outstanding note from Guestwiser Ventures 1, LLC;
 - One outstanding note from The Valor Club Partners, LLC; and
 - One outstanding note from Milan Sai Joint Venture, LLC.
- The Receiver's initial review of POA's books and records indicates that, collectively and subject to further verification, the POA Borrowers owe POA approximately \$16 million, plus accrued interest.

Trinity Loans

- The loans to Trinity are secured by six lots, including improvements thereto, in Lago Vista, Texas.
- POA has deeds of trust securing each of the lots recorded in Travis County Real Property Records.
- Single family homes are planned to be constructed on each of the lots. The lots are in various stages of completion with one home substantially complete.
- The aggregate current appraised value as set by the Travis County Appraisal District for all Trinity Properties is \$1,135,894.00.
- The principals of Trinity have executed personal guarantees.

Hidden Oaks at Berry Creek

- HOBC project is a master planned single family development in Williamson County.
- Original note was \$11 million, but the Receiver understands that it has been paid down as lots have been sold.
- POA has a deed of trust recorded in Williamson County Real Property Records.
- There are three remaining lots for HOBC to sell, the proceeds of which will be used to pay down the outstanding balance.
- Likely to be a deficiency balance.
- The principal of HOBC has executed a personal guarantee that the Receiver is investigating.

CCGD

- CCGD is a Buchanan controlled entity.
- Over the life of POA, it has made several loans to CCGD, often on better terms than to third party, non-insider, borrowers (e.g., discounted interest rates, non-collection of interest, lacking formal documentation, etc.).
- Currently there is one outstanding loan to CCGD, secured by Deed of Trust on property located at 1610 Hether Street.
- Loan has been matured for several years with no payments incoming to POA. Taxes are owed for tax years 2022 and 2023.
- Travis County Appraisal District places value at \$2,556,904.
- Receiver has initiated foreclosure proceedings, and property is set to be foreclosed on July 2, 2024.

Guestwiser

- Loans to Guestwiser are secured by two lots in Dallas, Texas.
- POA has a deed of trust recorded in Dallas County Real Property Records.
- Borrower's stated intention is to develop the property by constructing modular units for housing.
- The Receiver has been in discussions with Guestwiser representatives concerning repayment of the debt.
- The Receiver is in the process of determining the value of the collateral securing the loan.
- Dallas County Appraisal District values the lots at \$528,280.
- Guestwiser principals have signed personal guarantees which the Receiver is investigating.

The Valor Club

- The Valor Club originally entered a loan arrangement with POA in 2018.
- Originally, POA had a first lien on approximately 50 acres of real estate in Northwest San Antonio. Additionally, POA had a second lien on an adjacent golf course.
- In December 2022, the first lienholder on the golf course foreclosed, wiping out POA's second lien on the golf course.
- POA continues to have a first lien on the approximately 50 acres surrounding the golf course.

The Valor Club

- The Receiver is working to determine the value of the Valor Club collateral.
 - Bexar County Appraisal District suggests combined appraised value of all property owned by Valor Club is approximately \$2.75 million.
- The Receiver has been in discussions with The Valor Club regarding resolution of the outstanding balance to POA.
 - Executed forbearance agreement which expires on July 2, 2024.
- If unable to come to a resolution in the near term, the Receiver will likely proceed with foreclosure.
- Receiver is also investigating the guaranty signed by the principal of The Valor Club.

Milan Sai

- Loan to Milan Sai is secured by a Deed of Trust in the Martin County Real Property Records.
- Original principal balance of the note is \$2.4 million.
- The collateral securing the loan is an operational Super 8 Motel in Stanton, Texas.
- The Receiver and his representatives have been in discussions with Milan Sai and its counsel concerning repayment of the loans.
- Receiver is investigating personal guarantees signed by Milan Sai's principals.

REO Properties

- POA has three REO properties that it owns outright.
 - The Fulshear Property
 - The Overcup Property
 - The Canton Property

Fulshear Property

- The Fulshear Property consists of two commercial buildings in Fulshear, Texas.
- POA has owned the Fulshear Property for approximately ten years.
- One of the buildings is 100% occupied, and the other property is a “shell” where finish out construction was never completed.
- The Fulshear Property is currently cash flow neutral; however, upon information and belief, POA has covered years of significant cash losses at the property from investor funds.
- The Receiver is evaluating options for best way to maximize returns on this property; may include a finish out of the second building.

The Overcup Property

- Overcup Property is a single family home in mid-construction that was taken over by POA as a result of a defaulted loan.
- POA hired CCGD to provide general contractor services to finish the project.
- The Receiver has terminated CCGD as the general contractor, and has been in contact with a reputable and competent homebuilder that he anticipates retaining in the near term to finish construction.
- The Receiver will need to generate funds to finish construction of the Overcup Property, but anticipates being able to do so, and believes finishing construction will maximize value.

The Canton Property

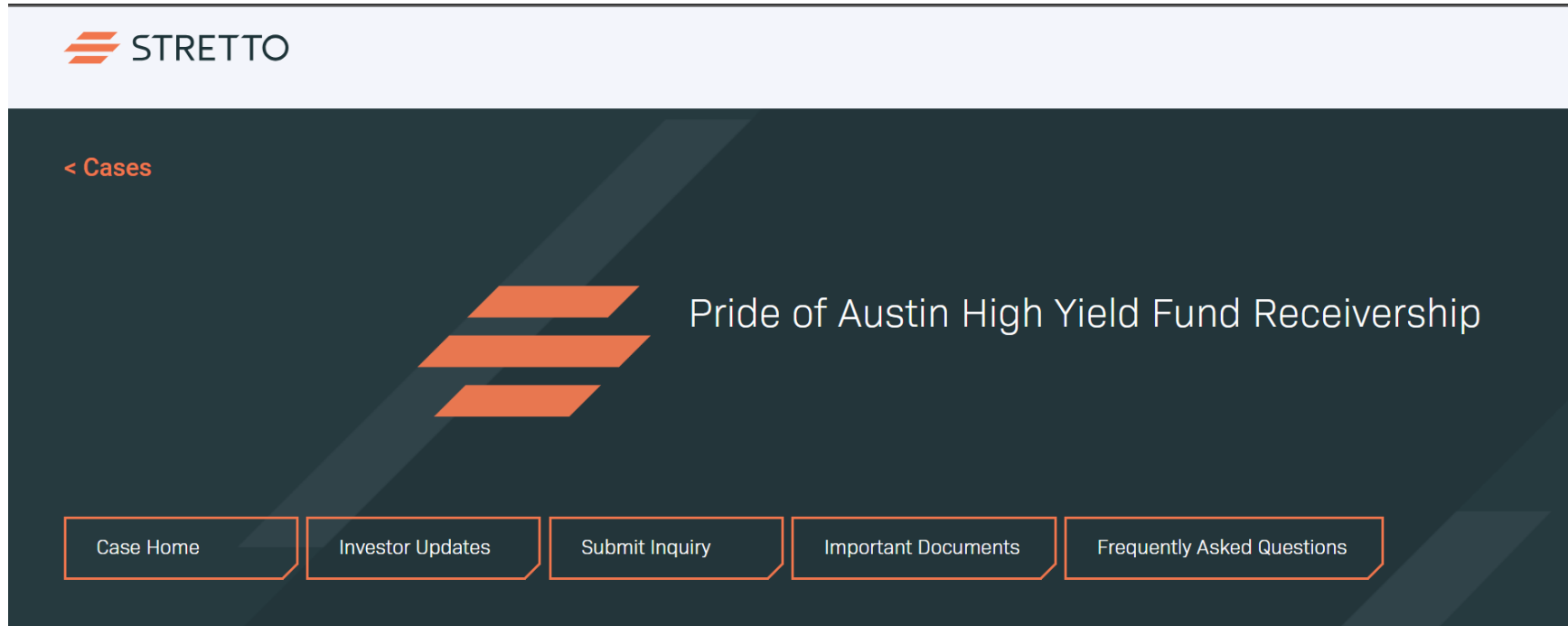
- Commercial building in Canton, Texas that POA came to own as a result of a nonjudicial foreclosure sale in January 2024.
- The project contemplated a restaurant, batting cages, and a storage facility.
 - Restaurant was operational at one time but shuttered in 2023.
 - Batting cages and a mini storage facility are partially constructed at the structural steel stage.
- Recently suffered a casualty event that damaged the roof.
 - Receiver has been in contact with the insurance carrier, paid all outstanding amounts owed to the carrier, and to best of his knowledge preserved the Receivership Estate's claim to insurance proceeds.
- Taxes owed for tax years 2020-2023 totaling approximately \$76,000.
- Broker retained to market the Canton Property.

Retention of Professionals

- The Receiver has retained the following professionals:
 - Holland & Knight: Legal counsel
 - Harney Partners: Financial advisors
 - Weaver and Tidwell: Tax advisors
 - Stretto: Claims agent

The Receivership Website

- The Receiver has created a website: <https://www.prideofaustinreceivership.com>



- Forum for investors and other parties in interest to submit questions to the Receiver and receive matter updates, including court filings.

Claims Motion

Procedural Process and Notice

- Receiver's *Motion to Approve (I) Proposed Claims Verification Procedures, and (II) Claims Bar Date* (the “***Claims Motion***”) was filed on **May 23, 2024**
- Receiver conducted due diligence to determine to best of his ability, all creditors and investors of Pride of Austin.
- Receiver directed the Claims Agent to serve (i) the Claims Motion and accompanying exhibits; and (ii) the Notice of Hearing on the Claims Motion on all known creditors and investors of Pride of Austin.
- On May 29, 2024, the Receiver filed a Notice of Claims Motion in all pending cases in which Pride of Austin is a litigant.
- On June 3, 2024, the Receiver filed a Certificate of Service prepared by the Claims Agent evidencing service on all known creditors and investors.

Certificate of Service filed June 3, 2024

CERTIFICATE OF SERVICE

I, Daniel Ramirez, depose and say that I am employed by Stretto, the claims and noticing agent for the Receiver in the above-captioned case.

On May 24, 2024, at my direction and under my supervision employees of Stretto caused the following documents to be served via first-class mail on the service list attached hereto as Exhibit A, and via electronic mail on the service list attached hereto as Exhibit B, and on May 29, 2024, the following documents were served via first-class mail on the service list attached hereto as Exhibit C, and via electronic mail on the service list attached hereto as Exhibit D.

- **AMENDED NOTICE OF IN-PERSON HEARING ON RECEIVER'S MOTION TO APPROVE (I) PROPOSED CLAIMS VERIFICATION PROCEDURES, AND (II) CLAIMS BAR DATE**
- **RECEIVER'S MOTION TO APPROVE (I) PROPOSED CLAIMS VERIFICATION PROCEDURES, AND (II) CLAIMS BAR DATE**

Dated: May 29, 2024

/s/ Daniel Ramirez
Daniel Ramirez
STRETTO
7 Times Square
16th Floor
New York, NY 10036
Telephone: 646-539-3664
Email: TeamPrideofAustin@stretto.com

Legal Basis for Claims Procedure: Tex. Bus. Orgs. Code § 11.407 (Court Ordered Filing of Claims)

- Section 11.407(a) provides that in a receivership of a domestic entity, the Court may require all claimants to file proof of their respective claims under oath in a form approved by the Court.
- Section 11.407(b) provides that the Court can establish a bar date, which may not be earlier than four months after the date of the order granting the motion.
- Section 11.407(d) provides that the Court may bar a claimant who fails to file a proof of claim during the period authorized by the Court from participating in distributions of the property of the domestic entity.

The Claims Process

- The Receiver has created distinct processes for the assertion of claims by creditors of Pride of Austin and investors in Pride of Austin.
- The purpose of the claims process is to determine what creditors and investors are owed by Pride of Austin.
- The claims process does not create a distribution scheme, which is something the Receiver will propose later. All parties in interest will receive notice of any proposed distribution scheme and will have an opportunity to object.

Creditors

- All known creditors of Pride of Austin will receive a Claim Form (Ex. C to Claims Motion).
- Creditors will be required to:
 - Complete the Claim Form and attach any supporting documentation for their asserted claim;
 - Sign the Claim Form under penalty of perjury and have the Claim Form notarized;
 - Submit the Claim Form to the Claims Agent.
 - May be submitted to the Claims Agent through U.S. Mail or Or via email at PrideofAustinClaims@Stretto.com.
 - All claims must be submitted by the Bar Date, which is 4 months from the date the order approving the Claims Motion is signed.

The Claim Form: Exhibit C

201 st JUDICIAL DISTRICT COURT OF TRAVIS COUNTY, TEXAS	PROOF OF CLAIM
<i>Sajid Maqsood, Trustee of the Sajid Maqsood & Joan M. Maqsood Revocable Trust, et al. v. Pride of Austin High Yield Fund, LLC, et al.</i>	Cause No. D-1-GN-24-001018
Name of Claimant (the person or other entity to whom is owed money or property):	Received (FOR CLAIMS AGENT USE ONLY)
Name of the Entity who owes you money or property:	
Name and address where notices should be sent:	<input type="checkbox"/> Check this box if this claim amends a previously filed claim. Claim # _____
Telephone Number: Email:	
Name and address where payment should be sent (if different from above):	<input type="checkbox"/> Check this box if you are aware that anyone else has filed a proof of claim relating to this claim and attach a copy of such claim.
Telephone Number: Email:	
1. Amount of Claim: _____ If all or part of the claim is secured, complete item 3. If all or part of the claim is based upon taxes, complete item 4.	
2. Basis for Claim: _____	
3. Secured Claim. Basis for perfection: _____ Amount of Secured Claim: _____ Annual Interest Rate: _____	
4. Tax Claims. Taxing Entity: _____ Basis for Tax: _____ Taxes Owed: _____ Penalties Owed: _____ Annual Interest Rate: _____	

5. Documents. Attached are redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, security agreements, etc. If the claim is secured, box 3 has been completed, and redacted copies of documents providing evidence of perfection of a security interest are attached.

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED.

If the documents are not available, please explain: _____

6. Signature.

I declare under penalty of perjury that the information provided in this claim is true and correct to the best of my knowledge, information and reasonable belief.

(Signature) (Date)

Print Name: _____

Title: _____

Company: _____

Address: _____

Phone Number: _____

Email: _____

STATE OF _____ §
§
COUNTY OF _____ §

SUBSCRIBED and SWORN TO BEFORE ME, the undersigned authority on _____, 202____, to certify which witness my hand and seal of office.

Notary Public, State of _____

Creditor Claims Review Process and Claims Report

- After the Bar Date has passed, the Receiver will review all the creditor claims that have been submitted.
- Receiver will then prepare a Claims Report (*i.e.*, the “Other Claims Report”), which will:
 - Detail all the claims that were submitted and contain the Receiver’s recommendation to the Court as to the allowable amount of each claim.
 - Report will be filed and served on all parties in interest.
 - If any of the creditor claimants object to the Receiver’s recommendation, they can file an objection as to the Receiver’s recommendation.
 - If the objection cannot be resolved, then it will be resolved by this Court.
 - If no objection is timely filed to a particular claim, then the Receiver’s recommendation is a final, binding determination of that claim.

Investors

- Receiver will send a Reconciliation Notice to each Investor Claimant, based on his review of Pride of Austin's records, which will include:
 - Cash invested by the investor into Pride of Austin
 - Cash paid out by Pride of Austin to the investor whether as either return of principal or purported interest payment.
 - The amount of reinvested dividends.
 - The Reconciliation Notice will contain a ledger of itemized transaction to support the Receiver's conclusions of each investor's transaction history.

The Reconciliation Notice: Exhibit D

Investor Name
Investor Address 1
Investor Address 2
Investor Address 3
City / State / Zip

Personal Investor Number¹:

RECONCILIATION NOTICE

Pride of Austin Receivership Claims
c/o Stretto
410 Exchange, Ste. 100
Irvine, California 92602
www.prideofaustinreceivership.com

RE: *Sajid Maqsood, Trustee of the Sajid Maqsood & Joan M. Maqsood Revocable Trust, et. al. v. Pride of Austin High Yield Fund I, LLC; CCG Capital Group, LLC; and Robert J. Buchanan*; 201st Judicial District, Travis County, Texas; Cause No. D-1-GN-24-001018 (the “*Receivership Action*”)

IMPORTANT NOTICE

This is an important notice from Gregory S. Milligan of HMP Advisory Holdings, LLC d/b/a Harney Partners (the “*Receiver*”), acting solely in his capacity as the court-appointed receiver for Pride of Austin High Yield Fund I, LLC (“*POA*”) and all of its assets (collectively, the “*Receivership Estate*”) in the Receivership Action.

On [**DATE**] the Court in the Receivership Action, entered its *Order Granting Receiver’s Motion to Approve (I) Proposed Claims Verification Process; and (II) Claims Bar Date* (the “*Order*”). This Order applies to all Investor Claimants as that term is defined in the Order and the *Motion to Approve (I) Proposed Claims Verification Process; and (II) Claims Bar Date* (the “*Motion*”). If you are receiving this notice by mail or e-mail from the Receiver, a copy of the Motion and Order are attached hereto as Exhibits A and B. A copy of the Motion and Order are also available at www.prideofaustinreceivership.com.

In accordance with the Court-approved claims procedure, this Reconciliation Notice serves as notice of the Receiver’s preliminary determination of your Investor Claim (as defined in the Motion). Based on the Receiver’s review of POA’s books and records, the Receiver has made a determination concerning (i) the amount of cash invested by you into POA; (ii) the amount of cash paid out to you by POA; and (iii) the amount of reinvested dividends, if any (the “*Transaction History*”). Your Transaction History is reflected as follows:

¹ In the interest of privacy you have been assigned a personal investor number. To the extent that you are referenced in public filings by the Receiver, it will be through this personal investor number.

Cash Invested into POA: \$ _____

Cash Received by you from POA: \$ _____

Reinvested Dividends: \$ _____

Exhibit C to this Reconciliation Notice sets forth the ledger of itemized transactions to support the Receiver’s conclusions of your Transaction History. **You may dispute the Transaction History.** Instructions for disputing the Transaction History are below.

If you dispute any of the amounts detailed in the Transaction History, then you may object to this Reconciliation Notice by filing an objection with the Receivership Court in *Sajid Maqsood, Trustee of the Sajid Maqsood & Joan M. Maqsood Revocable Trust, et al. v. Pride of Austin High Yield Fund, LLC, et al.*, pending in the 201st Judicial District under Cause Number D-1-GN-24-001018 within 21 days of the date on which this Reconciliation Notice was mailed. Any objection must attach this Reconciliation Notice, state with particularity the reasons why such objection was made, and provide any supporting documentation for your objection.

If no objection is timely filed with respect to this Reconciliation Notice, the Reconciliation Notice shall be the **final, binding determination** of your Transaction History.

NOTE: YOU MAY NOT RECEIVE THE FULL AMOUNT DETAILED IN YOUR TRANSACTION HISTORY FROM THE RECEIVERSHIP ESTATE.

Your Transaction History represents (i) the amount of cash invested by you into POA; (ii) the amount of cash paid out to you by POA; and (iii) the amount of reinvested dividends, if any, and will be taken into account in a future interim or final distribution process to be approved by the Receivership Court. The distribution procedure and methodology will be determined by the Court at a later date. The Receiver will mail and e-mail all known investors a copy of the proposed Plan of Distribution, when available, and will publish a copy of the same on the Receiver’s website: www.prideofaustinreceivership.com.

Investor Claimants and other parties in interest will have an opportunity to review the proposed Plan of Distribution and file responses and objections with the Court at that time.

Finally, please be advised that the notice provided here relates solely to the Transaction History regarding your investment and does not affect the Receiver’s right to pursue other claims, including claims for the return of fictitious profits in excess of an investor’s principal investment, which right is expressly reserved.

Thank you for your attention to and cooperation with this matter.

If you have questions concerning this Reconciliation Notice, you may contact Trip Nix via telephone at (512) 685-6476, via e-mail at trip.nix@hklaw.com, or via mail at the following address:

Investor Claims Review Process

- If an investor disagrees with the accuracy of the transaction history as determined by the Receiver, then such investor must file an objection to the Reconciliation Notice within 21 days of the date the Reconciliation Notice is mailed.
- Any objection must state, with particularity, the reasons why an objection is made.
- Receiver and any objecting investor must work in good faith to resolve the objection. If unable to resolve the objection, this Court will resolve it, and this Court's determination will be final and binding.
- If no objection is filed for a Reconciliation Notice, then the Reconciliation Notice will be final and binding determination of the Investor's transaction history.

Investor Claims Report

- After the deadline to object to the Reconciliation Notices has passed, the Receiver will file an Investor Claims Report, which will outline the Transaction History for each Investor Claimant.
- The Investor Claims Report will note whether an objection has been lodged as to any specific investor's Transaction History.

Claims Motion should be approved

- Declaration of Gregory S. Milligan.
- Fair and efficient process for identifying and verifying claims against the Receivership Estate.
 - Limited creditors and not an overly burdensome process for submitting creditor claims (akin to a bankruptcy claims process).
 - User friendly process for investors.
- Will streamline administration of the Receivership Estate.
- Does not collaterally attack judgments as suggested by the Tolia Objection.

Motion to Show Cause

Motion to Show Cause

- Declaration of Gregory S. Milligan
- Details the difficulty that the Receiver has had in having the books and records turned over by Mr. Buchanan.
- Failure to comply with Sworn Statement Obligations and Cooperation Obligations.
- After significant pressure, Mr. Buchanan has inched towards compliance but has not yet fully complied, and the Court should issue an order for Mr. Buchanan and CCG to show cause why they should not be held in contempt.