

In re: Pride of Austin High Yield Fund I, LLC

Receiver's Third Status Report

November 12, 2024
Austin, Texas

Holland & Knight

Loan Portfolio Summary

Borrower	Collateral	Status
The Valor Club Partners, LLC	Raw land in Bexar County, Texas	Agreement reached (Borrower to pay \$4.2 million by specified date; Receiver has right to file deed-in-lieu if payment not timely made)
Guestwiser Venture 1, LLC	Raw land in Dallas, Texas + Manufactured modular units	December 3, 2024, foreclosure; pending lawsuit against guarantors
Milan Sai Joint Venture, LLC	Operational Super 8 Motel in Stanton, Texas	Active bankruptcy proceeding in Northern District of Texas; pending lawsuit against guarantors
Trinity Consulting and Construction, LLC	Land + improvements in Lago Vista, Texas	December 3, 2024, foreclosure scheduled for two of the collateral properties
Hidden Oaks at Berry Creek, LLC	Raw land in Williamson County, Texas	Collateral being marketed for sale by borrower

The Valor Club Partners, LLC

The Valor Club Partners, LLC

- Principal loan balance: \$4,725,000.00
- Collateral: Appx. 50 acres of raw land across four (4) non-contiguous tracts in San Antonio.
- Indications of Value
 - Bexar County Appraisal District values land at \$2,764,620.00;
 - Brokers Opinion of Value procured by Borrower showing a \$4.4 million valuation

Holland & Knight

Date: March 2, 2018

Borrower: **The Valor Club Partners, LLC**, a Texas limited liability company

Borrowers' Mailing Address: 9401 Wilshire Boulevard, Suite 1250, Beverly Hills, CA 90212

Lender: **Pride of Austin High Yield Fund I, LLC**, a Texas limited liability company

Place for Payment: 3600 N. Capital of Texas Highway, Building B, Suite 120, Austin, Travis County, Texas 78746

Guarantors (whether one or more): Irwin J. Deutch

Guarantors' Mailing Address: c/o The Valor Club Partners, LLC, 9401 Wilshire Boulevard, Suite 1250, Beverly Hills, California 90212

Principal Amount: The maximum amount of Four Million Seven Hundred Twenty-Five Thousand and No/100 Dollars (\$4,725,000.00) ("Maximum Principal Amount"), which amount advanced shall be made pursuant and subject to the terms and conditions provided in the Loan Agreement (as hereinafter defined).

Annual Interest Rate: Twelve Percent (12%)

Maturity Date: March 2, 2019. Subject to the terms hereof, the Maturity Date may be extended, at the option of the Borrower, until September 2, 2019 (the "First Extension Date"). In order to exercise that first option, the Borrower must give the Lender written notice of the Borrower's intent to exercise the option on or before February 2, 2019, and must pay to the Lender, (a) on or before February 2, 2019, an amount equal to three percent (3.0%) of the Principal Amount of the Note outstanding on the date of that payment and (b) on or before March 2, 2019, all accrued and unpaid interest due and owing as of such date. The fee in subpart (a) above will be deemed to be a fee that is used to defray the Lender's expenses in extending the loan and the Note, and shall not be credited toward principal or interest due under the Note. If the Maturity Date has been extended until the First Extension Date as provided herein, the Maturity Date may be extended a second time subject to the terms hereof, at the option of the Borrower, until March 2, 2020 (the "Second Extension Date"). In order to exercise that second option, the Borrower must give the Lender written notice of the Borrower's intent to exercise the second option on or before August 2, 2019, and must pay to the Lender, (a) on or before August 2, 2019, an amount equal to three percent (3.0%) of the Principal Amount of the Note outstanding on the date of that payment and (b) on the First Extension Date all accrued and unpaid interest due and owing on the Note. The payment in part (a) immediately above will be deemed to be a fee that is used to defray the Lender's expenses in extending the Loan and the Note, and shall not be credited toward principal or interest due under the Note. Notwithstanding any of the foregoing, the Borrower may not exercise the option to extend the Maturity Date if the Borrower is in default under the terms of this Note, the Loan

Negotiations with Valor Club

- Entered into a Forbearance Agreement on May 2, 2024, and attempted to negotiate a resolution during the forbearance period.
- Negotiations did not culminate in an agreement that was acceptable to the Receiver.
- Receiver posted the collateral for an October 1, 2024, foreclosure sale.

September 9, 2024 (the "Effective Date")

Notice is hereby given that a Foreclosure¹ of the Property (defined below) will be held at the date, time and place specified in this notice.

DATE OF SALE: Tuesday, October 1, 2024 (the first [1st] Tuesday of that month).

TIME OF SALE: The earliest time at which the Foreclosure will occur is 10:00 AM (Bexar County, Texas time). The Foreclosure shall begin at that time or not later than three (3) hours thereafter.

PLACE OF SALE: The Foreclosure will take place at the location designated by the Commissioner's Court of Bexar County, Texas as the location where nonjudicial foreclosure sales are to take place. If no such location has been designated, the Foreclosure will take place at the location where nonjudicial foreclosure sales in Bexar County, Texas are typically conducted.

INDEBTEDNESS PROMPTING SALE: The Loan².

DEED OF TRUST CREATING LIEN THAT IS THE SUBJECT OF SALE: The Deed of Trust³.

PROPERTY BEING SOLD: The Property⁴, which is located in Bexar County, Texas.

ASSIGNMENTS/TRANSFERS; NOTEHOLDER: Pursuant to certain endorsements, assignments, and/or transfers of the Loan Documents⁵, Noteholder⁶ is the current owner of the Loan Documents. However, consistent with the laws of the State of Texas and the terms and provisions contained within the Loan Documents, Noteholder reserves the right to endorse, assign and/or transfer the Loan Documents to a third-party at any time after this Notice of Substitute Trustee's Sale has been posted in Bexar County,

¹ "Foreclosure" means a public nonjudicial foreclosure sale, at auction.

² "Loan" means the debt evidenced by the Note (defined below).

"Note" means that certain Real Estate Lien Note, dated March 2, 2018, executed by Borrower (defined below), payable to the order of Noteholder, as payee, in the original principal amount of \$4,725,000.00.

"Borrower" means The Valor Club Partners, LLC, a Texas limited liability company.

³ "Deed of Trust" means collectively, that certain Deed of Trust, Security Agreement and Fixture Financing Statement, dated effective March 2, 2018, executed and delivered by Borrower, as grantor, to Diane B. Senterfitt, as trustee for the benefit of Noteholder, as beneficiary, recorded as Document No. 20180042083 in the Official Public Records of Bexar County, Texas, as amended by that certain Correction Affidavit to Deed of Trust, Security Instrument and Fixture Financing Statement, dated September 9, 2024, given by Gregory S. Milligan, as Receiver of the property of Noteholder, as affiant, recorded as Document No. 20240164811 in the Official Public Records of Bexar County, Texas, covering, among other things, the Property.

⁴ "Property" means that certain real property, personal property, and general intangibles described in the Deed of Trust, the real property of which is located in Bexar County, Texas, and more particularly described on Exhibit "A", attached hereto and incorporated herein by reference.

⁵ "Loan Documents" means, collectively, the Loan Agreement (defined below), the Note, the Deed of Trust, and any and all other documents executed in connection therewith and/or relating in any way thereto.

"Loan Agreement" means that certain Loan Agreement, dated March 2, 2018, entered into by and between Borrower and Noteholder.

⁶ "Noteholder" means Pride of Austin High Yield Fund I, LLC, a Texas limited liability company.

Valor Club's Efforts to Stop Foreclosure

- Valor Club filed a lawsuit seeking an *ex parte* temporary restraining order in Bexar County.
- Receiver learned of the lawsuit, and demanded Valor Club not proceed with a TRO hearing because it would be contempt of receivership order.
- Valor Club then engaged bankruptcy counsel and informed Receiver it intended to file a Chapter 11 case.
- Receiver evaluated bankruptcy threat and determined a Chapter 11 was unlikely to succeed.
 - Collateral is worth less than the outstanding debt and debtor has no ability to generate income.

Nix, Trip (AUS - X26476)

From: Scott M. Kalt <SKalt@elkinskalt.com>
Sent: Sunday, September 29, 2024 12:06 PM
To: Nix, Trip (AUST - X26476)
Subject: Fwd: Valor Club
Attachments: image001.png; amended agreed order appointing receiver (7).pdf; 2024.06.17 order approving claims procedures (3).pdf

Categories: Ready to file

[External email]

Client engaged below firm to file bankruptcy. If your client is willing to accept a payment to extend the foreclosure for 30-45 days, we would be amenable (as the client believes they have a path to getting your client paid) and thereby avoid the foreclosure. Let me know. If not, intent is to file BK tomorrow.

Happy to chat today or tomorrow.

Scott M. Kalt

skalt@elkinskalt.com

Direct Dial: (310) 746-4402 | Cell: (310) 713-3444 | Fax: (310) 746-4492 | [Download VCard](#)

Elkins Kalt Weintraub Reuben Gartside LLP

10345 West Olympic Boulevard, Los Angeles, CA 90067

www.elkinskalt.com

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Resolution with Valor Club

- One day before the planned Chapter 11 filing, Valor Club began making material settlement offers.
- Receiver reached a settlement agreement with Valor Club, which provides certainty and avoids bankruptcy cost.
 - Valor Club paid Receiver \$150,000 down payment.
 - Valor Club will pay Receiver an additional \$4.05 million by January 31, 2025, for a total of \$4.2 million.
 - Valor Club can extend balloon date for 30 days on two occasions with a payment of \$50,000 each occasion.
 - If Valor Club defaults → Receiver can record Deed-in-Lieu of Foreclosure, which he is holding in escrow + pursue guarantor.

AMENDED FORBEARANCE AND SETTLEMENT AGREEMENT

This Amended Forbearance and Settlement Agreement (the “Agreement”) is made and entered into as of October 1, 2024 (the “Effective Date”), by and among Gregory S. Milligan, as the court appointed receiver (the “Receiver”) over Pride of Austin High Yield Fund I, LLC (the “Fund”), and The Valor Club Partners, LLC (“Valor”), and Irwin J. Deutch (“Deutch”) (collectively, the “Parties”).

Recitals

WHEREAS, Valor is indebted to the Fund pursuant to that certain Loan Agreement, dated as of March 2, 2018 (as amended, supplemented, or otherwise modified from time to time, the “Loan Agreement”)¹, by and among the Fund and Valor.

WHEREAS, in connection with the execution of the Loan Agreement, Valor issued a promissory note dated March 2, 2018, in the principal amount of \$4,725,000 (the “Note”). The Note was secured by that certain Deed of Trust dated March 2, 2018 executed by Valor for the benefit of the Fund, and recorded as Document No. 20180042083 in the Official Records of Bexar County, Texas (the “Deed of Trust”)². The property secured by the Deed of Trust is referred to herein as the “Property”. The loan secured by the Deed of Trust is herein referred to as the “Loan”.

WHEREAS, in connection with the execution of the Note, Deutch executed a Limited Recourse Guaranty (the “Guaranty”).

WHEREAS, Valor is in default under the Loan Agreement due to, among other things, Valor’s failure to pay the amounts outstanding to the Fund upon maturity of the Note;

WHEREAS, there may be other defaults which constitute an Event of Default under the Loan Agreement and failure to reference them herein shall not be construed as a waiver by the Fund or the Receiver in that regard;

WHEREAS, Valor hereby acknowledges and agrees that the Loan Agreement is in default, and the defaults have not been waived by the Fund or the Receiver;

WHEREAS, on May 2, 2024 and again on July 11, 2024, Valor and Receiver executed a forbearance agreements, which have expired.

WHEREAS, the Receiver posted the Property for an November 5, 2024 foreclosure (the “Foreclosure”).

WHEREAS, on September 26, 2024, Valor filed a lawsuit in Bexar County District Court against the Receivership Estate (the “Lawsuit”).

WHEREAS, Valor and the Receiver have agreed that the Receiver will extend the forbearance period until January 31, 2025 and therefore forbear from exercising his rights and

¹ Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Loan Agreement.

² The liens granted by Valor under the Deed of Trust, both on real and personal property, are collectively referred to herein as the “Liens”.

Guestwiser Venture 1, LLC

Receiver's Foreclosure Efforts and Guestwiser's Resistance

- Collateral for Guestwiser loan consists of raw land in Dallas, Texas and modular housing units located in Missouri.
- Receiver posted collateral for a September 3, 2024, foreclosure sale.
- On August 30, 2024, Guestwiser filed a lawsuit in Dallas County District Court and obtained a TRO halting the September foreclosure.
- Receiver filed an *Emergency Motion to Enforce Receivership Injunctions* in this Court, prompting Guestwiser to dismiss the Dallas County lawsuit.
- Receiver then re-posted the Guestwiser property for an October 1, 2024, foreclosure sale.

Holland & Knight

NOTICE OF SUBSTITUTE TRUSTEE'S SALE (Pride of Austin High Yield Fund I, LLC / Guestwiser Venture 1)

August 8, 2024 (the "**Effective Date**")

Notice is hereby given that a Foreclosure¹ of the Property (defined below) will be held at the date, time and place specified in this notice.

DATE OF SALE: Tuesday, September 3, 2024 (the first [1st] Tuesday of that month).

TIME OF SALE: The earliest time at which the Foreclosure will occur is **1:00 PM (Dallas County, Texas time)**. The Foreclosure shall begin at that time or not later than three (3) hours thereafter.

PLACE OF SALE: The Foreclosure will take place at the location designated by the Commissioner's Court of Dallas County, Texas as the location where nonjudicial foreclosure sales are to take place. If no such location has been designated, the Foreclosure will take place at the location where nonjudicial foreclosure sales in Dallas County, Texas are typically conducted.

INDEBTEDNESS PROMPTING SALE: The Loan².

DEED OF TRUST CREATING LIEN THAT IS THE SUBJECT OF SALE: The Deed of Trust³.

PROPERTY BEING SOLD: The Property⁴, which has a street address of 1115 - 1117 Powhattan Street Dallas, Texas 75215, in Dallas County, Texas.

ASSIGNMENTS/TRANSFERS; NOTEHOLDER: Pursuant to certain endorsements, assignments, and/or transfers of the Loan Documents⁵, Noteholder⁶ is the current owner of the Loan Documents. However, consistent with the laws of the State of Texas and the terms and provisions contained within the Loan Documents, Noteholder reserves the right to endorse, assign and/or transfer the Loan Documents to a third-party at any time after this Notice of Substitute Trustee's Sale has been posted in Dallas County, Texas (including just prior to the nonjudicial foreclosure sale). You may contact Receiver Gregory S. Milligan (at the telephone number provided below) to determine whether Noteholder has endorsed,

¹ "**Foreclosure**" means a public nonjudicial foreclosure sale, at auction.

² "**Loan**" means the debt evidenced by the Note (defined below).

³ "**Note**" means that certain Real Estate Lien Note, dated January 21, 2020, executed by Borrower (defined below), payable to the order of Noteholder, as payee, in the original principal amount of \$2,905,000.00.

⁴ "**Borrower**" means Guestwiser Venture 1, LLC, a Texas limited liability company.

⁵ "**Deed of Trust**" means that certain Deed of Trust, Security Agreement and Fixture Financing Statement, dated effective January 21, 2020, executed and delivered by Borrower, as grantor, to Diane B. Senterfitt, as trustee for the benefit of Noteholder, as beneficiary, recorded as Instrument No. 202000021222 in the Real Property Records in Dallas County, Texas, covering, among other things, the Property.

⁶ "**Property**" means that certain real property, personal property, and general intangibles described in the Deed of Trust, the real property of which is located at the street address 1115 - 1117 Powhattan Street, Dallas, Texas 75215, in Dallas County, Texas, and more particularly described on **Exhibit "A"**, attached hereto and incorporated herein by reference.

⁷ "**Loan Documents**" means, collectively, the Loan Agreement (defined below), the Note, the Deed of Trust, and any and all other documents executed in connection therewith and/or relating in any way thereto.

⁸ "**Loan Agreement**" means that certain Commercial Loan Agreement For Construction of Improvements, dated January 21, 2020, entered into by and between Borrower and Noteholder.

⁹ "**Noteholder**" means Pride of Austin High Yield Fund I, LLC, a Texas limited liability company.



Receiver's Foreclosure Efforts and Guestwiser's Resistance

- Guestwiser filed for bankruptcy relief in the Northern District of Texas on October 1, 2024 – the day of the scheduled foreclosure sale.
- Receiver promptly filed a *Motion to Dismiss or Lift Stay* in the bankruptcy proceeding.
- Hearing was scheduled for October 31, 2024.
- Debtor's counsel sought to withdraw on basis attorney-client relationship had broken down.
- Court dismissed bankruptcy case *sua sponte* on October 17, 2024.


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CLERK, U.S. BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
ENTERED
THE DATE OF ENTRY IS ON
THE COURT'S DOCKET

The following constitutes the ruling of the court and has the force and effect therein described.

Signed October 17, 2024


United States Bankruptcy Judge

BTXN 060 (rev. 10/19)

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS

In Re:
Guestwiser Venture 1, LLC

Debtor(s)

Case No.: 24-43584-elm11
Chapter No.: 11

ORDER DISMISSING CASE

The Debtor(s), having been given notice that this case would be dismissed upon the failure to timely file:

- ☐ Pay the required filing fee in installments as directed in the Order regarding the Application to Pay Filing Fee in Installments, or Order denying/revoking the Application for Waiver of the Chapter 7 Filing Fee.
- ☐ List of creditors required to be filed with the petition by N.D.TX L.B.R. 1007-1(a) **within 48 hours** from the issuance of the Notice of Deficiency
- ☒ Schedules A/B, D, E/F, G, H pursuant to Fed. R. Bankr. P. 1007(c) **within 14 days** of the filing of the Petition
- ☐ Declaration for Electronic Filing III(B)(3) **within 7 days** of the filing of the Petition.
- ☐ Declaration About an Individual Debtor's Schedules (Official Form 106Dec) **within 14 days** of the date of the filing of the petition.
- ☒ Declaration Under Penalty of Perjury for Non-Individual Debtors (Official Form 202) **within 14 days** of the date of the filing of the petition.
- ☒ Statement of Financial Affairs pursuant to Fed. R. Bankr. P. 1007(c) **within 14 days** of the filing of the Petition

Continued Efforts To Obtain Collateral

- Receiver has re-posted Guestwiser collateral for a December 3, 2024, foreclosure sale.
- Guestwiser has informed Receiver it will not be filing a second bankruptcy proceeding.
 - If it does, Receiver believes he has a strong basis to get relief from the automatic stay in time to notice a January foreclosure sale.
- Receiver has been in communication with modular unit manufacturer concerning possession of modular units.
- Receiver has put force placed insurance on the modular units and expended funds to provide additional protection for the units stored outside the manufacturing facility.
- Receiver is evaluating options to liquidate the collateral – either separately or together – or for the receivership estate to complete the installation of the modular units on the real property after the foreclosure of each.

Milan Sai Joint Venture, LLC

Milan Sai Joint Venture, LLC

- Milan Sai operates a Super 8 Motel in Stanton, Texas, which serves as the Fund's collateral.
- Milan Sai's outstanding debt to the Fund:

Principal Balance	\$2,300,000
Contractual Interest (accrued between June 1, 2020 and October 1, 2020)	\$57,657.20
Default Interest (accrued between October 1, 2020 and December 31, 2023)	\$1,345,216.44
Default Interest (accrued between September 1, 2024 and the Petition Date)	\$71,457.53
Late Fee	\$115,000
Total owed to Fund	\$3,889,331.51



Milan Sai Joint Venture, LLC

- The Receiver attempted to negotiate a resolution with Milan Sai to no avail. Borrower has been largely unresponsive.
- Receiver has filed a lawsuit against Milan Sai and its guarantors in Travis County District Court.
- Receiver posted the Milan Sai collateral for a November 5, 2024, foreclosure sale.
- As expected, Milan Sai filed for bankruptcy protection on November 4, 2024, in the Northern District of Texas.

Holland & Knight

NOTICE OF SUBSTITUTE TRUSTEE'S SALE (Pride of Austin High Fund I / Milan Sai)

October 15, 2024 (the "Effective Date")

Notice is hereby given that a Foreclosure¹ of the Property (defined below) will be held at the date, time and place specified in this notice.

DATE OF SALE: Tuesday, November 5, 2024 (the first [1st] Tuesday of that month).

TIME OF SALE: The earliest time at which the Foreclosure will occur is 10:00 AM (Martin County, Texas time). The Foreclosure shall begin at that time or not later than three (3) hours thereafter.

PLACE OF SALE: The Foreclosure will take place at the location designated by the Commissioner's Court of Martin County, Texas as the location where nonjudicial foreclosure sales are to take place. If no such location has been designated, the Foreclosure will take place at the location where nonjudicial foreclosure sales in Martin County, Texas are typically conducted.

INDEBTEDNESS PROMPTING SALE: The Loan².

DEED OF TRUST CREATING LIEN THAT IS THE SUBJECT OF SALE: The Deed of Trust³.

PROPERTY BEING SOLD: The Property⁴, which has a street address of 3432 I-20 Stanton, Texas 79782, in Martin County, Texas.

ASSIGNMENTS/TRANSFERS; NOTEHOLDER: Pursuant to certain endorsements, assignments, and/or transfers of the Loan Documents⁵, Noteholder⁶ is the current owner of the Loan Documents. However, consistent with the laws of the State of Texas and the terms and provisions contained within the Loan Documents, Noteholder reserves the right to endorse, assign and/or transfer the Loan Documents to a third-party at any time after this Notice of Substitute Trustee's Sale has been posted in Martin County, Texas (including just prior to the nonjudicial foreclosure sale). You may contact Receiver Gregory S. Milligan (at the telephone number provided below) to determine whether Noteholder has endorsed,

¹ "Foreclosure" means a public nonjudicial foreclosure sale, at auction.

² "Loan" means the debt evidenced by the Note (defined below).

"Note" means that certain Real Estate Lien Note, dated September 29, 2017, executed by Borrower (defined below), payable to the order of Noteholder, as payee, in the original principal amount of \$2,400,000.00.

"Borrower" means Milan Sai Joint Venture, LLC, a Texas limited liability company.

³ "Deed of Trust" means that certain Deed of Trust, Security Agreement and Fixture Financing Statement, dated effective September 29, 2027, executed and delivered by Borrower, as grantor, to Diane B. Senterfitt, as trustee for the benefit of Noteholder, as beneficiary, recorded in Volume 580, Page 136 in the Official Public Records of Martin County, Texas, covering, among other things, the Property.

⁴ "Property" means that certain real property, personal property, and general intangibles described in the Deed of Trust, the real property of which is located at the street address 3432 I-20, Stanton, Texas 79782, in Martin County, Texas, and more particularly described on Exhibit "A", attached hereto and incorporated herein by reference.

⁵ "Loan Documents" means, collectively, the Note, the Deed of Trust, and any and all other documents executed in connection therewith and/or relating in any way thereto.

⁶ "Noteholder" means Pride of Austin High Yield Fund I, LLC, a Texas limited liability company.

Milan Sai's Bankruptcy Proceeding

- Milan Sai has elected to proceed under Subchapter V of Chapter 11 for small businesses.
- Receiver has objected to Milan Sai's Subchapter V designation because its debt significantly exceeds the statutory cap of \$3,024,725.00.
- Receiver will be filing a *Motion to Lift the Automatic Stay* in the bankruptcy proceeding.
- Receiver may also be objecting to Milan Sai's continued use of its cash collateral, which results from an Assignment of Rents.
- Receiver intends to move to sever Milan Sai from the Travis County lawsuit and file summary judgment motions, which have already been prepared, against the guarantors.
- Receiver believes that at least one of the guarantors may have financial wherewithal.

Trinity Consulting and Construction, LLC

Trinity Consulting and Construction, LLC

- Trinity is a single-family home builder in Lago Vista, Texas.
- Trinity has six outstanding loans with Pride of Austin secured by lots and the improvements thereto.
 - Two of the lots have partially constructed homes on them.
- Total outstanding principal owed by Trinity is appx. \$2.4 million.

Trinity's Partially Constructed Homes

- 3405 Congress Avenue is almost fully constructed.
- Receiver advanced approximately \$40,000 to Trinity to complete construction of 3405 Congress.
- Fully constructed home has a probable list price in excess of \$700,000.
- 3605 Constitution is partially complete, but much farther behind in construction than 3405 Congress, and is only in the framing stage. Unknown whether current framing at 3605 Constitution can be salvage.



3405 Congress Avenue

Next Steps With Trinity

- The Receiver's communication with Trinity has been insufficient, and Trinity's progress on 3405 Congress much slower than promised.
- The Receiver has lost faith in Trinity as an operator and its ability to perform as promised.
- As a result, the Receiver has decided to commence foreclosure proceedings on all of the collateral properties and will work to complete construction and/or otherwise monetize the properties himself.

Hidden Oaks at Berry Creek, LLC

Hidden Oaks at Berry Creek

- Hidden Oaks at Berry Creek is a housing development in Williamson County.
- The borrower has also been materially unresponsive.
- The Fund's collateral consists of the three lots that have yet to be sold in the housing development.
- The Receiver is considering foreclosing the lots and marketing them himself.
- Borrower's principal has executed a guaranty which the Receiver is currently determining how to pursue to address the significant deficiency claim.

Other assets of Receivership Estate

Summary of POA's other assets

Assets Owned	Status
Fund's equity interest in CCG Equity Fund II, LLC	<ul style="list-style-type: none">• Fund made a \$1,310,000 investment into EF II in January 2023• Receiver has monetized that investment and received \$1,502,659.73 on account of the investment.
17389 IH 20, Canton, Texas 75103	<ul style="list-style-type: none">• Under contract for sales price of \$850,000• Motion to Sell has been approved
1610 Hether Street, Austin, Texas 78704	<ul style="list-style-type: none">• Under contract for sales price of \$1,710,000• Motion to Sell has been filed with the Court
3204 Overcup Oak Drive, Austin, Texas 78704	<ul style="list-style-type: none">• Receiver has hired a contractor to finish construction and will sell upon completion.
8043-8045 FM 359, Fulshear, Texas 77441	<ul style="list-style-type: none">• Receiver is retaining a broker to begin the marketing process

Equity Fund II Investment

- In January 2023, POA made an investment in a Buchanan controlled entity called CCG Equity Fund II, LLC (“EF II”).
- EF II, in turn, invested that money into two entities that were not controlled by Buchanan, and that were involved in single-family residential development in North Carolina.
- Receiver entered into agreements directly with the North Carolina entities whereby the North Carolina entities paid POA’s portion of the EF II investment directly to the Receiver.
- Receiver received the \$1,310,000 principal back + a \$192,659.73 return on capital for a total of \$1,502,659.73.

Holland & Knight

CCG EQUITY FUND II, LLC

a Texas limited liability company

SUBSCRIPTION AGREEMENT AND POWER OF ATTORNEY

THE MEMBERSHIP INTERESTS OF THE COMPANY SUBJECT TO THIS SUBSCRIPTION AGREEMENT AND POWER OF ATTORNEY (THE “**SUBSCRIPTION AGREEMENT**”) ARE SECURITIES WHICH HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “**ACT**”). SUCH MEMBERSHIP INTERESTS MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED TO ANY PERSON AT ANY TIME IN: (A) THE ABSENCE OF (1) AN EFFECTIVE REGISTRATION STATEMENT COVERING SUCH MEMBERSHIP INTERESTS UNDER THE ACT; OR (2) AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED; OR (B) A MANNER INCONSISTENT WITH THE TERMS OF THE MEMBERSHIP INTERESTS OR THE COMPANY CERTIFICATE OF FORMATION OR OPERATING AGREEMENT, ALL OF WHICH ARE INCORPORATED HEREIN BY THIS REFERENCE.

1. SUBSCRIPTION.

AMOUNT OF INVESTMENT: \$ 1,310,000.00

PLEASE DELIVER PAYMENT TO CCG EQUITY FUND II, LLC, AND MAIL THIS COMPLETED AND SIGNED SUBSCRIPTION AGREEMENT TO: CCG EQUITY FUND II, LLC, 3600 N. CAPITAL OF TEXAS HIGHWAY, BUILDING B, SUITE 120, AUSTIN, TX 78746.

EXACT NAME OF PURCHASER: Pride of Austin High Yield FUND I, LLC
(List only one name and one tax ID number in this section. If there are multiple purchasers – See Section 8 below)

TAX ID NUMBER OF PURCHASER: _____

3600 N. CAPITAL OF TX HWY STE 120
Mailing Address of Purchaser

AUSTIN TX 78746
City, State, and Zip Code of Purchaser

512 687-3456 INFO@CCGATX.COM
Phone Number / E-mail address of Purchaser

The undersigned (“**Purchaser**”) hereby subscribes to become a holder (“**Member**”) of membership interests in CCG EQUITY FUND II, LLC, a Texas limited liability company (the “**Company**”), and to purchase the membership interests (“**Membership Interests**”) in the amount indicated above, all in accordance with the terms and conditions of this Subscription Agreement, the Certificate of Formation (the “**Certificate**”), Operating Agreement (“**Operating Agreement**”) of the Company, and the Confidential Private Placement Memorandum dated January 1, 2022 (the “**Memorandum**”).

Canton Property

- The Canton Property was a restaurant / batting cage / self-storage concept that was not fully constructed and was in significant disrepair.
- The property was on the market since January 2024 without any serious offers.
- In September, the Receiver obtained an offer for \$850,000, which he accepted.
- Receiver filed a *Motion to Sell the Canton Property*, which was approved on October 1, 2024.
- After closing costs and the payment of outstanding property taxes, the Receivership Estate is expected to receive in excess of \$700,000.

Issues with Judgment Creditors

- Some investors obtained judgment on account of their equity interests prior to the commencement of the receivership and filed judgment liens in certain counties where POA owned property, including in Van Zandt County, Texas.
- To close the sales, a title policy needs to be issued, and the title company will not write a policy if the judgment liens remain on the property.
- After being forced to file a motion, Receiver has come to an agreement with judgment creditors whereby the liens on the property are extinguished but immediately convert into liens on the proceeds.
- Receiver reserves the right to challenge or otherwise address abstract of judgment liens in order to treat all investors equitably.

CAUSE NO. D-1-GN-24-001018

SAJID MAQSOOD, TRUSTEE OF THE SAJID
& JOAN M. MAQSOOD REVOCABLE TRUST,
ET AL.,

Plaintiffs,

v.

PRIDE OF AUSTIN HIGH YIELD FUND I, LLC,
ET AL.,

Defendants.

IN THE DISTRICT COURT

TRAVIS COUNTY, TEXAS

201ST JUDICIAL DISTRICT

**ORDER GRANTING RECEIVER'S MOTION TO APPROVE THE SALE OF CERTAIN
REAL PROPERTY AND RELATED IMPROVEMENTS IN CANTON, TEXAS**

On this day, the Court considered the Receiver's Motion to Approve the Sale of Certain Real Property and Related Improvements in Canton, Texas (the "*Motion*").

The Court takes note that there are members and/or former members of Pride of Austin High Yield Fund I, LLC ("*POA*") who have judgments against POA and other parties, as well as filed abstracts of those judgments ("*Judgment/Abstract Parties*").

The Court further takes note of and finds that the Receiver and the Judgment/Abstract Parties have reached agreement through their counsel that all claims, rights and defenses of the Receiver and the Judgment/Abstract Parties, including without limitation those pertaining to the Canton Property Sale and the proceeds from that sale, are expressly preserved and reserved, not waived and will be adjudicated at a later date but prior to any distribution of the proceeds from the Canton Property Sale from the Receiver's account.

After reviewing the Motion, hearing argument from counsel, and reviewing any evidence in support of the Motion, the Court further finds that the Receiver's sale of the Canton Property in accordance with the terms of the Canton Property Contract would be in the best interest of the Receivership Estate. Therefore, it is hereby:

Hether Street Property

- Property was owned by CCG Development and served as Mr. Buchanan's principal residence.
- Receiver obtained a deed-in-lieu of foreclosure from CCG Development but retained its lien on the property so that it could extinguish a junior IRS tax lien.
- Receiver followed the process in the Internal Revenue Code for extinguishing the IRS lien.
- Receiver then foreclosed on its lien, which wiped out the IRS lien in the amount of \$452,008.71 – and is a direct benefit to investor victims.
- Receiver is under contract for a sales price of \$1,710,000 and has filed a *Motion to Sell the Hether Street Property*.
- Receiver anticipates reaching substantially similar arrangement with judgment creditors as it did with respect to the Canton Property.

Overcup Property

- Property in South Austin on which a single-family home + ADU was being built by CCG Development, LLC at commencement of receivership.
- Receiver terminated CCG Development as the general contractor.
- Receiver has been unable move the project towards completion due to lack of capital.
- Since receipt of proceeds from the North Carolina projects, the Receiver has hired DWM Construction to finish construction at the property and to pay off approximately \$143,000 of vendor liens that created a blight on title.
- Receiver expects construction to be complete in first quarter of 2025.
- Receiver will retain the same real estate broker that recently assisted the Receiver in the sale of 1610 Hether Street.

Fulshear Property

- The Fulshear Property consists of two commercial office buildings.
 - One has been 100% occupied.
 - One is a shell where finish out construction was never completed.
- Receiver has done diligence to determine if it would be worthwhile to finish construction on the incomplete building.
 - It would cost \$685,000 to finish construction and would not increase the value by a material amount more than the construction cost. Therefore, the Receiver does not intend to spend estate resources to finish out the shell property.
- Receiver is in the process of engaging a broker and listing the Fulshear Properties for sale with an anticipated list price of \$3.2 million.
- The Receiver is also attempting to negotiate a Cross Access Agreement with an adjoining landowner to increase the value of the property.

Tax Matters

Fair Market Valuations

- Receiver understands that many investors have IRA custodians that are requesting information related to fair market value of such investors' interest in the Fund.
- The Receiver's tax professionals, Weaver & Tidwell, are currently working on preparing a fair market valuation of the Fund.
 - Expected to be complete by November 30, 2024.
- Letter posted to www.prideofaustinreceivership.com addressed to “whom it may concern” from Receiver's counsel which is intended to be helpful in explaining status of the Fund to third parties.

Delinquent Tax Returns

- The Fund failed to file tax returns for the previous seven (7) tax years.
- Weaver & Tidwell professionals are in the process of constructing those late tax returns to be filed.
- Receiver is investigating potentially significant late fees and penalties which may have accrued because of the late filings.
- Receiver is getting tax advice from his tax professionals (both legal and accounting) on how best to mitigate any potential fees or penalties.

Claims Process

Investor Claims Process

- Receiver sent Reconciliation Notices to all known current and former investors in POA on August 2, 2024, which included the following information:
 - Cash invested into the Fund;
 - Cash paid to the Investor Claimant by the Fund; and
 - Amount of reinvested dividends, if any.
- Deadline to file objections (which Receiver accepted via e-mail) was August 23, 2024.
- On August 5, 2024, Receiver sent notification to all Investor Claimants of the objection deadline.
- On August 6, 2024, Receiver filed a *Notice Regarding Objections to Reconciliation Notices*, which stated the deadline to object was August 23, 2024.

Objections to Reconciliation Notices

- Receiver sent 373 Reconciliation Notices to investors.
- There were 32 objections received.
- Receiver has resolved all but three (3) of those objections.
 - The objections are on an account basis, but the three accounts belong to only one (1) investor.
- Receiver has filed his *Investor Claims Report*, which details the transaction history for each account and notes the status of any objections.
 - Investors should review the Claims Report, and if they believe something has been misstated by the Receiver, should contact the Receiver or his counsel to confer.

Creditor Claims Process

- Pursuant to the Claims Order, the Creditor Claims Bar Date was October 15, 2024.
- On June 27, 2024, the Receiver filed a *Notice of Claims Bar Date* in which he put all known creditors of POA on notice of the Bar Date.
- 37 creditor claims were filed totaling \$10,069,184.72.
- Total creditor claim value is artificially inflated because several investor claimants filed creditor claims, which are duplicative of Reconciliation Notices and will be objected to.
- Judgment creditors also increase the creditor claims pool, and their status is uncertain.
- Receiver will file creditor claims report in near future and then attempt to resolve any objections. If unable to resolve objections, they will be brought to the Court for adjudication.

Continued Analysis of Fund Finances

- The Receiver is continuing examine the financial records of the Fund from its inception.
- Expect to provide more detailed analysis based on the Receiver's forensic review of the records sometime in the first quarter of 2025.