

Receiver's Fifth Status Report

In re Pride of Austin High Yield Fund I, LLC, Cause Number D-1-GN-24-001018,
pending in the 201st Judicial District, Travis County, Texas

Overview of Status Update

Status of loan portfolio
and collection against
POA borrowers.



Status of REO
Properties and sale
efforts.



Status of claims process,
net winners' litigation,
and tax matters

Loan Portfolio Status

Milan Sai Joint Venture, LLC

- ◆ Milan Sai has a \$2.3 million principal loan, secured by Super 8 Hotel in Stanton, Texas. With inclusion of interest and late fees, claim exceeds \$3.9 million.
- ◆ Receiver sued Milan Sai and its Guarantors in August 2024 and posted the collateral for a November 2024 foreclosure sale.
- ◆ Milan Sai filed for bankruptcy protection, under Subchapter V of Chapter 11, on November 4, 2024, in the Northern District of Texas.
 - ◆ Collateral value = less than \$2.3 million principal balance
 - ◆ Scheduled value of \$1.6 million in bankruptcy case.



Milan Sai Bankruptcy Case

- ◆ Receiver obtained relief in bankruptcy case requiring:
 - ◆ Milan Sai to proceed as a traditional chapter 11 debtor (Receiver's consent thus required to confirm plan);
 - ◆ Automatic stay relief if plan not confirmed by April 30, 2025; and
 - ◆ Monthly adequate protection payments of \$15,287.67.

Case 24-33560-mvl11 Doc 70 Filed 01/15/25 Entered 01/15/25 16:25:37 Desc Main Document Page 2 of 3

ORDERED that the automatic stay of 11 U.S.C. § 362 shall remain in place unless there is an Event of Default (as defined herein) that is not timely cured. It is further:

ORDERED that any of the following shall constitute an “*Event of Default*” under the terms of this Order:

- a. Failure of the Debtor to pay outstanding property taxes due to the Martin County Appraisal District on or before January 31, 2025;
- b. Failure of the Debtor to amend its Voluntary Chapter 11 Petition to remove the Subchapter V designation and proceed as a traditional chapter 11 debtor on or before January 14, 2025;
- c. Failure of the Debtor to confirm a chapter 11 plan of reorganization on or before April 30, 2025; or
- d. Failure of the Debtor to make the following monthly adequate protection payments to the Receiver:
 - a. \$15,287.67 on or before January 20, 2025;
 - b. \$15,287.67 on or before February 20, 2025;
 - c. \$15,287.67 on or before March 20, 2025; and
 - d. \$15,287.67 on or before April 20, 2025.

Continued Pursuit of Guarantors

Receiver continued pursuing Milan Sai guarantors during pendency of bankruptcy.

Obtained Order Granting Motion to Sever in this Court.

Filed Motion for Summary Judgment in Severed Action.

Defeated attempts of Guarantors to extend bankruptcy automatic stay to the Guarantors.



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 March 28, 2025

Michelle V. Larson
United States Bankruptcy Judge

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

In re:	§	Chapter 11
	§	
Milan Sai Joint Venture, LLC	§	Case No. 24-33560
	§	
Debtor.	§	Judge

**ORDER DENYING EMERGENCY MOTION TO
EXTEND AUTOMATIC BANKRUPTCY STAY**

Came on for hearing before this Court the *Emergency Motion to Extend the Automatic Stay* [Doc. 94] (the "Motion") filed by Sunil Patel and Vishal Makwana. Based upon the record before the Court and for the reasons set forth in the Court's bench ruling, which is incorporated herein, the Court finds that the Motion should be and hereby is DENIED.

End of Order

Mediated Settlement

- ◆ Mediation with Retired Bankruptcy Judge Harlin D. Hale on April 1, 2025.
- ◆ Receiver, Milan Sai, and Guarantors reached settlement requiring:
 - ◆ Agreed judgment by Guarantors for \$3 million
 - ◆ Payment of \$3 million to Receiver by January 8, 2026 (subject to possible credits); \$100,000 due by May 8, 2025.
 - ◆ A sale of the Super 8 Hotel in the bankruptcy case (Receiver has credit bidding rights)

April 8, 2025

MEDIATED SETTLEMENT TERM SHEET

This Mediated Settlement Term Sheet (this “Term Sheet”) outlines certain terms of the mediated settlement as between Gregory S. Milligan, in his capacity as Receiver (the “Receiver”) for Pride of Austin High Yield Fund I, LLC (“POA”), Milan Sai Joint Venture, LLC (“Debtor”), Vishal Makwana (“Makwana”), and Sunil Patel (“Patel”) (Makwana and Patel are collectively referred to as the “Guarantors”). The Receiver, the Debtor, and the Guarantors are collectively referred to as the “Parties.” Subject to approval by the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the “Bankruptcy Court”), this Term Sheet is intended to be binding on the Parties.

Down Payment:	Guarantors, Debtor, or some combination of Guarantors and Debtor shall pay to the Receiver \$100,000 within 30 days of the execution of this Term Sheet (the “ <u>Down Payment</u> ”).
Payment of Remaining Balance:	Guarantors, Debtor, or some combination of Guarantors and Debtor shall pay to the Receiver an additional \$2,900,000 (the “ <u>Remaining Balance</u> ”) within 275 days of the execution of this Term Sheet (the “ <u>Balloon Date</u> ”).
Agreed Judgment:	The Guarantors shall sign an Agreed Judgment in the amount of \$3 million in favor of the Receiver in the case styled <i>Gregory S. Milligan, in his capacity as Receiver for Pride of Austin High Yield Fund I, LLC v. Sunil Patel and Vishal Makwana</i> , cause no. D-1-GN-25-000980 pending in the 201 st Judicial District Court, Travis County, Texas (the “ <u>State Court Action</u> ”). The Agreed Judgment will not be filed by Receiver in the State Court Action unless and until there is an Event of Default (as defined herein).
Sale of the Hotel:	Debtor will file a <i>Motion for Approval of Bid Procedures</i> on or before April 30, 2025 (the “ <u>Bid Procedures Motion</u> ”) in which it will ask the Bankruptcy Court to approve bid procedures for the sale of the Super 8 Hotel located at 3432 I-20, Stanton, Texas 79782 (the “ <u>Property</u> ”). The Receiver shall have the right to approve the Bid Procedures Motion before it is filed with the Bankruptcy Court. The Bid Procedures Motion will ask the Bankruptcy Court for, at least, the following relief: <ul style="list-style-type: none">• Acknowledgement and agreement of the Receiver’s right to credit bid for the full amount of its proof of claim filed in the Bankruptcy Case.

Trinity Consulting and Construction

- ❖ After months of attempts to consensually resolve certain of Trinity's loans, the Receiver foreclosed on all collateral in March.
- ❖ Receiver has hired DWM Construction to complete construction at 3405 Congress.
- ❖ Receiver to soon begin marketing remaining lots for sale.

AFTER RECORDING RETURN TO:

Kane Russell Coleman & Logan, P.C.
401 Congress Ave., Ste. 2100
Austin, Texas 78701
Attn: Trip Nix



FILED AND RECORDED
OFFICIAL PUBLIC RECORDS

Dyana Limon-Mercado

Dyana Limon-Mercado, County Clerk
Travis County, Texas
Mar 26, 2025 01:33 PM Fee: \$ 105.00

2025031927

Electronically Recorded

NOTICE OF CONFIDENTIALITY RIGHTS:

IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

SUBSTITUTE TRUSTEE'S DEED
AND
BILL OF SALE
(Pride of Austin / 3405 Congress Ave)

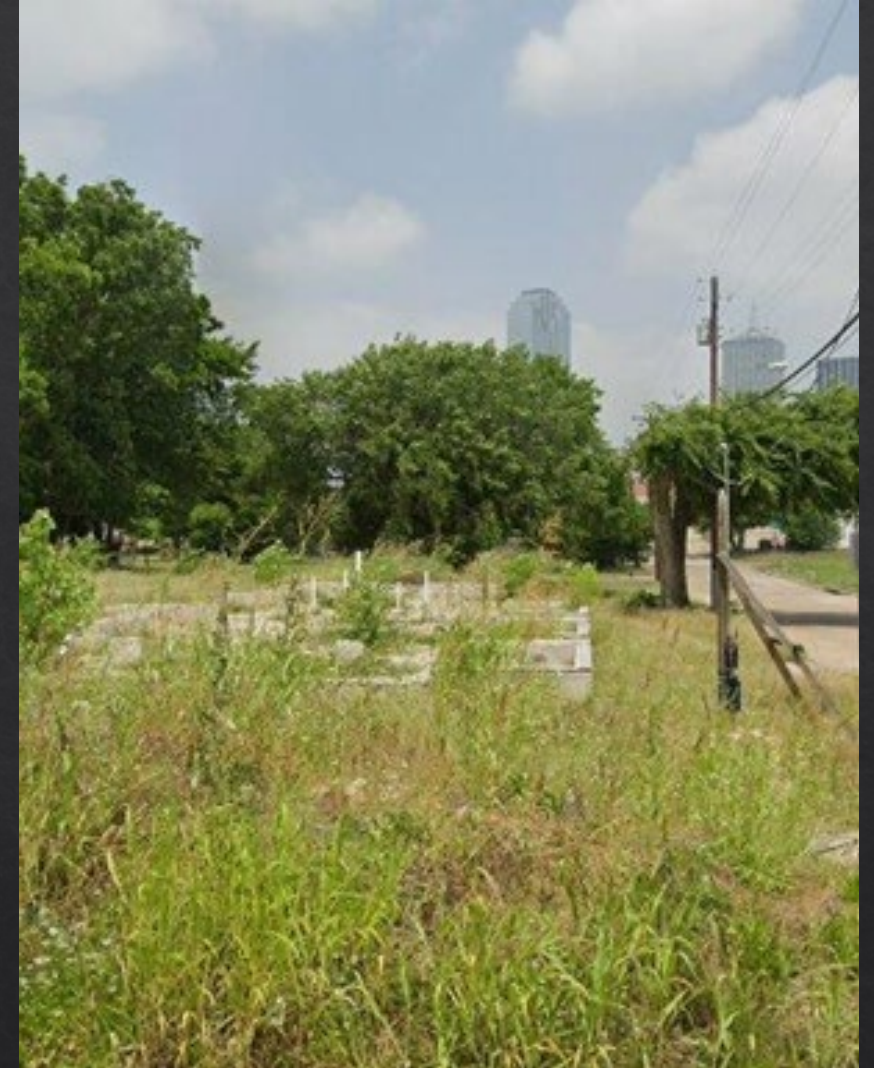
STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

Recitals

- A. On June 17, 2022, Borrower, as maker, executed the Note.
- B. The right to receive payments due under the Note, and the outstanding indebtedness evidenced by the Note, are secured by, among other things, the liens, security interests, terms, and provisions contained within the Deed of Trust, which covers the Property.
- C. Pursuant to certain assignments, endorsements, and/or transfers of the Loan Documents, Noteholder is the current owner of the Loan Documents.
- D. By the Appointment, Noteholder, pursuant to the provisions of the Deed of Trust, has named, constituted, and appointed the Substitute Trustees to act instead of the original or any successor trustee.
- E. The Note matured on March 18, 2024. Accordingly, Noteholder has directed the Substitute Trustees to enforce the trust and sell the Property pursuant to and in accordance with the provisions of the Deed of Trust and the laws of the State of Texas.
- F. Substitute Trustee Trip Nix did cause (i) to be posted for at least twenty-one (21) consecutive days prior to the day of the nonjudicial foreclosure sale at the Courthouse door of Travis County, Texas, and (ii) to be filed for at least twenty-one (21) consecutive days prior to the day of the nonjudicial foreclosure sale with the County Clerk of Travis County, Texas, written notice that the Property would be sold pursuant to the Deed of Trust, at public auction to the highest bidder, at the location

Guestwiser Joint Venture 1, LLC

- ◆ Loan to Guestwiser was secured by (i) unimproved real property in Dallas, Texas; and (ii) modular housing units.
- ◆ Guestwiser attempted to obstruct the Receiver's collection efforts by filing lawsuit against the Receivership Estate and filing a bankruptcy case (both dismissed).
- ◆ Settlement reached on day of foreclosure:
 - ◆ Executed deed in lieu of foreclosure
 - ◆ Agreed to \$45K (paid) + \$655K by Feb 3, 2025 (unpaid resulting in default)
- ◆ As a result of default, Receiver obtained title to real property and modular units.



Guestwiser Collateral Monetization

- ◆ Modular Units: Sold Feb 2025 for \$422,500 (promissory note, 8% interest, due Aug 2025).
- ◆ Terms: \$84,500/unit sold; 3x 30-day extensions (5% fee).
- ◆ Lots: Marketing 1115/1117 Powhattan St.; contract expected by May 2025

Bill of Sale

KNOW ALL MEN BY THESE PRESENTS:

That, subject to the terms and conditions hereinafter set forth, GREGORY S. MILLIGAN, IN HIS CAPACITY AS COURT-APPOINTED RECEIVER FOR PRIDE OF AUSTIN HIGH YIELD FUND I, LLC, having an address of 8911 N. Capital of Texas Hwy., Ste. 2120, Austin, Texas 78759 (“**Seller**”) for and in consideration of the sum of \$422,500.00, lawful money of the United States, to it paid on the terms and conditions provided in the Promissory Note (the “**Note**”) executed by MODULAR DEVELOPMENT CONCEPTS, LLC (“**Purchaser**”) with the address of 7403 SE 31st Avenue, Portland, Oregon 97202, the receipt of which is hereby acknowledged, has bargained and sold, and by these presents does grant and convey unto Purchaser its successors and assigns all right, title and interest of Seller in and to five (5) modular housing units owned by the Seller with the following serial numbers: MM-KRB-(0001)-0000-TX, MM-KRB-(0002)-0000-TX, MM-KRB-(0003)-0000-TX, MM-KRB-(0004)-0000-TX, MM-KRB-(0005)-0000-TX, MM-KRB-(0006)-0000-TX, MM-KRB-(0007)-0000-TX, MM-KRB (0008)-0000-TX, MM-KRB-(0009)-0000-TX, MM-KRB-(0010)-0000-TX (the “**Modular Units**”).

Seller grants and conveys the Modular Units owned by it unto Purchaser without recourse and without representation or warranty of any kind, express or implied (except to the extent and only for so long as any representation and warranty, if any, regarding the Modular Units as is set forth in the Note shall survive the closing of title thereafter, and subject to the limitations contained herein).

TO HAVE AND TO HOLD the same unto Purchaser, its successors and assigns forever.

SELLER HAS MADE NO WARRANTY THAT THE MODULAR UNITS COVERED BY THIS BILL OF SALE IS MERCHANTABLE OR FIT FOR ANY PARTICULAR PURPOSE AND THE SAME IS SOLD IN AN “AS IS” “WHERE IS” CONDITION. BY ACCEPTANCE HEREOF, PURCHASER AFFIRMS THAT IT HAS NOT RELIED ON ANY WARRANTY OF SELLER WITH RESPECT TO THE MODULAR UNITS AND THAT THERE ARE NO REPRESENTATIONS OR WARRANTIES, EXPRESSED, IMPLIED OR STATUTORY (EXCEPT TO THE EXTENT AND ONLY FOR SO LONG AS ANY REPRESENTATION AND WARRANTY, IF ANY, REGARDING THE MODULAR UNITS AS SET FORTH IN THE NOTE SHALL SURVIVE THE CLOSING OF TITLE THEREUNDER, AND SUBJECT TO THE LIMITATIONS CONTAINED THEREIN).

This Bill of Sale shall be governed by and construed in accordance with the laws of the State of Texas.

This Bill of Sale shall be binding upon, enforceable by and shall inure to the benefit of the parties hereto and their respective successors and assigns.

[Signature page follows immediately]

Valor Club Partners, LLC

- ◇ Loan to Valor Club secured by 50 acres (4 tracts, San Antonio, TX).
- ◇ Parties Settlement Agreement:
 - ◇ \$150,000 paid November 2024 and \$4,050,000 due by January 31, 2025.
 - ◇ Valor had option to extend settlement maturity date for 30-days, up to two times, by making a \$50,000 payment on each occasion, to be applied to the outstanding balance.
 - ◇ Valor executed first two extension options by paying \$100,000, applied against outstanding balance.
 - ◇ Valor requested additional 30-day extension to finalize refinance.
 - ◇ Receiver agreed to additional 30-day extension in exchange for a \$50,000 payment but with only \$25,000 applied to the outstanding balance.

Hidden Oaks at Berry Creek, LLC

- ◆ Fund's collateral is three undeveloped lots in Williamson County.
- ◆ The Receiver permitted HOBC to market the HOBC Collateral to facilitate sales and reduce the debt.
 - ◆ To date, HOBC has achieved no sales.
- ◆ Receiver plans to foreclose in June; pursuit of limited recourse guaranty against HOBC's principal to commence promptly.

Summary of Collection Activities

Borrower	Status
Milan Sai Joint Venture, LLC	Agreement to pay Receiver \$3 million by January 8, 2026 with court supervised sale process of collateral
Trinity Consulting and Construction, LLC	Receiver now holds title to all collateral; will begin marketing and selling promptly
Guestwiser Venture 1, LLC	Receiver has sold Modular Units for \$422,500 (seller financed); is marketing real property and anticipates contract by May
Valor Club Partners, LLC	Collected \$300,000 to date; Agreement to pay receiver \$3,925,000 by end of April (deed in lieu of foreclosure in escrow)
Hidden Oaks at Berry Creek, LLC	Foreclosure of collateral and pursuit of guarantor being initiated.

REO Properties

Status of REO Properties

Property	Status
The Fulshear Property	The Receiver has received multiple offers and is currently negotiating the terms of a Letter of Intent to sell the Fulshear Property for in excess of \$2.5 million. Will bring a motion to sell to the Court when appropriate.
The Overcup Property	The Overcup Property is under construction, with completion expected by April 30, 2025. The Receiver will commence marketing for sale immediately thereafter to maximize value for the Receivership Estate.
The Canton Property	The Receiver sold the Canton Property in November 2024 for \$850,000. After closing costs and taxes, net proceeds of \$708,753 were received for the Receivership Estate.
The Hether Property	The Receiver sold the Hether Property in November 2024 for \$1,720,000. After closing costs and taxes, net proceeds of \$1,413,126 were received for the Receivership Estate.

Claims Process and Distribution Plan

Investor Claims Process Status



Creditor Claims

- ❖ Deadline to file creditor claims: October 15, 2024.
- ❖ Receiver filed *Other Claims Report* on January 20, 2025.
- ❖ Objections were due by February 3, 2025 (none received).
- ❖ Rule 11 with certain Judgment Holders extending their objection deadline.

	Receiver's Recommendation	
	Filed Claims	Allowed Claims
i. Secured Tax Claim of Van Zandt County	\$93,959.99	\$0.00
ii. General Unsecured Trade Claims	\$260,466.47	\$207,173.88
iii. Investor Claims filed as Other Claims	\$4,100,470.07	\$43,504.00
iv. Judgment Holders	\$5,614,288.19	\$179,302.08
GUC Class Priority	\$10,069,184.72	\$429,979.96
iv. Judgment Holders [Subordinated Portion]		\$5,426,243.34

Distribution Plan

- ◆ Requirement: Per Claims Order, propose amount and method of distributions.
- ◆ Receiver preparing Distribution Plan and will have the Distribution Plan filed within 30 days.

Net Winners Litigation

- ◊ Receiver has determined that the alleged profits paid to investors were not profits. Instead, they were a redistribution of other investors' principal investment.
- ◊ Receiver has fiduciary duty to maximize asset recovery and ensure fair distribution.
- ◊ Litigation against net winners to recover payments received in excess of principal investment.
- ◊ Although perhaps unknowingly, the net winners profited at others' expense; recovering these funds, and redistributing them, corrects imbalances.

Tax Matters

Fair Market Value:
Unable to determine
due to unknown
dividends.

Depends on
recovery,
distribution
plan, etc.

Notified
investors March
2, 2025.

Delinquent Returns:
7 years unfilled;
Weaver & Tidwell
preparing

Filing by May
15, 2025, IRS
notified

Investigating
penalties/fees
for mitigation

Ongoing
coordination with
IRS and tax
professionals