

G.E.T. MARKETING, LLC,	§	IN THE DISTRICT COURT
	§	
<i>Plaintiff</i>	§	
	§	
v.	§	459 <sup>th</sup> JUDICIAL DISTRICT
	§	
PSW REAL ESTATE, LLC,	§	
	§	
<i>Defendant</i>	§	TRAVIS COUNTY, TEXAS

**RECEIVER’S EIGHTH STATUS REPORT**

The Stapleton Group, Inc., in its capacity as receiver (“*Receiver*”), files this *Eighth Status Report* for the two months ended March 31, 2024, and would respectfully show this Court as follows:

**I. INTRODUCTION**

1. On July 31, 2023 (the “*Appointment Date*”), the Court entered the *Order Appointing Receiver* (the “*Receivership Order*”) pursuant to which the Court appointed the Receiver over the operations and property of the above-captioned defendant, PSW Real Estate, LLC (“*PSW*”) and its affiliates listed on Exhibit A attached to the Receivership Order (the “*Affiliates*” and, together with PSW, the “*Receivership Entities*”). The receivership created under the Receivership Order (the “*Receivership*”) commenced on August 1, 2023.

2. On the Appointment Date, the Receivership Entities were in the process of developing twenty-nine (29) residential properties across three states (the “*Developments*”), certain of which were owned outright by PSW and certain of which were owned through joint ventures with third-party entities (“*Joint Ventures*”). The Developments have complicated capital structures including but not limited to, multiple lenders, hundreds of individual and small family office investors and institutional investors. As of the Appointment Date, the

Developments were reported to be in various stages of progress. A handful of Developments were in the beginning design phase, while others included partially completed homes that were build-to-suit projects that were presold to future residents.

3. At the outset of the Receivership, the Receiver engaged in discussions with StoryBuilt's investors, committee members, current and former board members, current and former executives, and former principals (collectively, the "*Constituent Representatives*"), all of whom felt strongly about the value of the Receivership Entities. The Constituent Representatives stated their opinions that:

- the loan-to-value ratio on the real estate portfolio was below 50% - meaning the properties were worth at least twice the debt on each property;
- Developments were ready to move forward and those in mid-construction could be restarted and finished quickly;
- there was significant value in presenting the Receivership Entities to the market as going concerns based on:
  - strong accounting, development and operation teams with operating systems capable of supporting the Developments and
  - innovative and profitable Developments in highly desirable markets;
- the investor group would support the Receivership financially including a representation by the principals that two major investors had committed to invest more than \$10 million; and
- the Joint Venture partners would support a going concern marketing strategy.

4. The negative aspects of the Receivership Entities were then characterized by the Constituent Representatives as limited to (i) poor management; (ii) accusations of misconduct against PSW's principals; (iii) lawsuits filed against certain Receivership Entities by Joint Venture partners, investors, subcontractors, and other creditors; (iv) illiquidity; and (v) unpaid payroll and benefits obligations. At the time the Receiver was appointed, the Receivership Entities were completely out of cash, even after recently borrowing more than \$3 million from

hard-money lenders, some at interest rates in excess of 280%. PSW had already been or was soon to be removed as Manager of certain of the Affiliates by its Joint Venture partners. As a result, a compliance committee was formed and an oversight committee was created to oversee management prior to the Appointment Date.

5. As described in more detail below, after the very challenging month of December 2023, the Receiver determined that it received wildly optimistic opinions and information from the Constituent Representatives concerning the value of the Developments, the value of the Receivership Entities as a collective going concern, and the ability of the Receivership Entities to continue operations. As a result, the Receiver changed course in the administration of the Receivership with a focus on quickly liquidating the remaining assets and reducing administrative costs. Professional fees decreased by 45% from December 2023 to March 2024.

6. Prior to the Appointment Date, PSW operated and invested in alternate lines of business (collectively, the “*Extraneous Businesses*”), including (i) home owner association (“*HOA*”) management services; (ii) a company named “Fixed Maintenance,” that provided plumbing, painting, electrical and other services to the Receivership Entities and third-party customers; (iii) minority ownership of eProperty Care (“*EPC*”) (with an option for full acquisition), a smart building property technology (aka prop-tech) company, with an option to purchase EPC<sup>1</sup>; (iv) EPC software to manage PSW controlled projects; and (v) minority ownership (with plans of full acquisition) of HomeBase, a complimentary prop-tech software company for property owners and managers, which was recently sold.

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<sup>1</sup> In connection with its investment in EPC, PSW hired two executives of EPC and hired one or more new employees to facilitate the growth of EPC and the prop-tech platform as a vertically integrated company. PSW spent significant amounts on marketing and infrastructure for the prop-tech platform assuming that PSW would exercise its option and consummate the purchase of 100% of the equity of EPC.

7. The Extraneous Businesses generated significant net losses for PSW. The Receiver is assessing the value of PSW's minority interest in HomeBase and potential ways to monetize that interest, which is currently held in the form of an approximately \$1.2 million promissory note that matures in December 2024 (the "*HomeBase Note*"). The Receiver is collecting accounts receivable for Fixed Maintenance, whose operations were shuttered prior to the receivership. The Receiver plans to retain a collection agency to support the collection of the remaining receivables. The Extraneous Businesses are unlikely to yield significant money to the Receivership, with the exception of the HomeBase Note about which the Receiver receives regular updates from the HomeBase administrator.

8. Since the Appointment Date, the Receiver has taken control of the finances of the Receivership Entities and has engaged in discussions with creditors and investors regarding the preservation of value of the assets of the Receivership Entities (now, the "*Receivership Assets*"). The Receiver entered into multiple Rule 11 agreements with lenders to forestall foreclosure and with litigants to stay legal activity. The Receiver continues to negotiate with Joint Venture partners and lenders to realize value in the Joint Ventures. During March 2024, the Receiver began a financial (cash) reconciliation and forensic analysis of one of the Joint Ventures to determine if the terms of the agreements were met by the parties to the Joint Venture. The Receiver has made progress providing value for creditors, investors, and all other stakeholders by instituting an organized and orderly claims process, undertaking a forensic accounting, completing some homes that were partially constructed, and negotiating to sell, preserve and increase the value of the Receivership Assets.

9. In the Receiver's Sixth Report filed January 30, 2024, the Receiver stated its intent to focus on reducing administrative costs and liquidating remaining Receivership Assets.

The Receiver continues to execute on that plan. Simultaneously, the Receiver continued its forensic investigation of the Receivership Entities' and evaluation of claims appearing from such investigation and prepared an initial Forensic report for this Court. The Receiver terminated additional employees during February and March 2024 and closed its physical offices in Austin, Texas in early March 2024. The Receiver and its professionals are reducing efforts on activity unlikely to result in a net return to the Receivership. However, continued legal activities from a limited number of investors continue to require the Receiver and its professionals to spend time and estate funds.

10. The Receiver plans to complete the sale of the remaining real estate assets, terminate all employees, complete the construction and sale of the remaining single-family homes where possible, provide this Court a final forensic report and recovery estimate, and recommend a distribution plan for Court approval (Phase 1). Phase 2 will then consist of pursuing claims for the Estate's benefit, reviewing claims filed by creditors and investors, monitoring the JV projects, and collecting and distributing cash according to the Court-approved distribution plan. The duration of Phase 2 is expected to be two to three years and the administrative costs will be sharply reduced. Phase 2 is mostly administrative and the Receiver does not anticipate the need for regular hearings, regular attorney time, or regular administrative time.

11. Many valuable assets and claims will be devalued without the protection and actions of the Receivership and many innocent third parties will be harmed if the Developments are thrown back into the thicket of pre-Receivership litigation. The Receiver continues to evaluate every major initiative to assess the likely net return to creditors and investors. The Receiver will continue to evaluate the costs and benefits of the Receivership.

## II. SUMMARY OF RECEIVERSHIP OPERATIONS

### A. Marshaling and Preserving Assets

#### *Identifying Assets*

12. The Receiver has collected, reviewed, updated and, in some cases, created books and records detailing the Receivership Entities' active and dormant projects. Because of the complex (and blurred) interrelationships and collective operation of the Receivership Entities, the Receiver is identifying and evaluating the capital structure of all of the Receivership Entities and related Developments to the extent possible. To the best of the Receiver's knowledge and information and based on a sound and thorough investigation, the Receiver has determined that as of the date of this report, the Receivership held an interest in four (4) Developments<sup>2</sup> and fifteen (15) Joint Ventures<sup>3</sup> across three states. The majority of the Receivership Entities and related Developments are encumbered by secured debt, plus various levels of preferred equity, Class A, Class B, and Class C investors, and revenue sharing agreement ("RSA") investors. The Receiver is calculating the Receivership Entities' interests in all projects, including the Developments and Joint Ventures. The table below shows the remaining Developments and estimated associated secured debt.

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<sup>2</sup> The Developments include Lucy, Charley, North Bluff, and Jolene.

<sup>3</sup> The joint-venture projects and related Joint Venture Partners include George (Hearthstone), Ellie May (IHP), Scout, Stanley, Archie, Sumie, Frank North, Frank South, Longview, Polaris, Callie (aka Morgan Junction), Judy, Josephine, Thornton Flats, and Thornton MU (All Partners Group).

<b>Secured Debt</b>			
<b>Project</b>	<b>Location</b>	<b>Secured Debt</b>	<b>Notes</b>
Charley	Austin	\$9,500,000	
Lucy	Austin	\$2,249,332	8 homes remaining
North Bluff	Austin	\$3,779,468	12 homes remaining
Jolene	Dallas	\$46,102,048	\$17.1M 1st Position with B1 Bank, \$29M 2nd Position with PG
Receiver's Notes	N/A	\$2,546,598	
<b>Unsecured Debt &amp; Equity</b>			
<b>Source</b>	<b>Principal</b>	<b>Accrued Interest</b>	<b>Notes</b>
Past Due Payroll	\$1,800,000	N/A	
Unsecured Creditors	\$24,855,063	\$2,584,738	Corporate Notes, vendor claims, homebuyer claims, etc.
Limited Partners	\$40,196,361	\$6,827,727	
Equity	\$79,408,265	\$7,584,033	

13. The Receiver is evaluating and analyzing each of the remaining Developments to determine how best to maximize returns to creditors and investors. The Receiver has entered into several agreements with senior secured noteholders to allow the foreclosure of specific Receivership Assets that would not return funds to the Estate. The Receiver is in the process of marketing specific projects to determine whether abandonment, recapitalization, or sale of such projects is in the best interest of the many stakeholders of the Receivership (the “*Stakeholders*”).

14. During February and March 2024 the Receiver agreed to foreclosures on March 5, 2024 and April 9, 2024 on the following projects or specific assets within the following projects:

- Frank Commercial (April 2024)
- Homes collateralizing the Susser Bank loans (March 2024)
- Homes collateralizing the CrossFirst Bank loans (March 2024)
- Homes collateralizing the Service Lloyds Bank loans (April 2024)
- Kramer (April 2024)

15. Upon taking over, the Receiver located and took possession of all known bank accounts of the Receivership Entities. After further investigation, the Receiver determined that most of the HOA accounts were not Receivership Assets and were not reported to this Court as such. During February and March 2024, the Receiver completed turning over the HOA information to the HOAs that it will no longer manage for all but one HOA that was

unresponsive to numerous requests for information. Following the transfer of funds and the capture of historical bank records, the Receiver closed numerous bank accounts. Attached hereto as **Exhibit 1** is a summary of liquid assets identified through March 31, 2024.

*The Receivership is winding down the first phase of the assignment.*

16. As reported in the Receiver's Sixth Report, numerous factors led to a rapid change in strategy from rehabilitation of an operating development company to liquidation of any assets in which there appeared to be equity for the Stakeholders. During the first quarter of 2024, the Receiver worked with its Investment Banker to secure bids for the sale of Project Charley. After further negotiations and analysis of bids, the Receiver filed a sale motion for Project Charley on March 4, 2024, the Receiver filed an Amended Motion to Approve (I) Bidding Procedures in Connection with the Sale of Certain Real Property in Austin, Texas, and Related Improvements, Contract Interests and Personalty, (II) Stalking Horse Agreement and Related Break Up Fee and Expense Reimbursement, and (III) Sale of Property (the "**Charley Sale Motion**"). An overbid was received and accepted on March 19, 2024. The Charley sale is expected to yield in several million dollars to the Estate at closing and includes a backend profits split paid upon each house closing in two to three years once a minimum net sales revenue threshold is met.

17. The Receiver has successfully negotiated with the secured lenders in the remaining controlled projects of Lucy and North Bluff to re-mobilize construction to enable completion and sale of homes in a manner that creates the most value from those remaining projects. Motions to approve the sale closing of completed homes from these projects have been approved by the court and additional motions will be presented to the court in a rolling fashion as additional sales on homes pending completion are ready to close.



18. The Receiver's activities in February and March 2024 included, but were not limited to, the following:

- analyzing Joint Venture agreements and related communication. Reconstructing cash flows between Joint Venture entities and PSW entities to confirm investments by PSW. Reviewing Joint Venture party investments and payment stoppages and comparing same to governing documents;
- drafting summary report describing activity with largest Joint Venture partner;
- responding to myriad inquiries regarding project status and details to support buyers and Investment Banker, including numerous calls with potential Charley buyers;
- managing the bidding process for Charley, negotiating with buyers, reviewing offers, and accepting the best offer;
- meeting with regulatory agencies to provide additional information and access to subpoenaed information;
- preparing for receiver's forensic report, status report and injunction hearings;
- settling with the parties who filed an injunction regarding the use of sales proceeds for projects Goose Run and Charley;
- identifying other potential claims from the principals and related companies, and from others including investors who may have received disproportionate returns compared to other investors and lenders, or received payments not permitted by the governing documents;
- identifying additional claims against the former principals to add to the existing lawsuit;
- terminating software contracts and planning for completion of Phase 1 of the receivership;
- providing the initial forensic report; and
- transferring HOA operational management and financial control to HOAs.

19. The Receiver was able to reduce legal and Receiver activity as planned during February and March 2024, although the efforts to reduce costs continue to be thwarted by a small group of disgruntled investors who are driving professional fees to the detriment of other

investors. Those other investors have likely received a lower recovery from their investment than the group driving professional fees. Such additional activity included, but was not limited to:

- Continuing to defend against an injunction motion filed by a group of investors in one project that would reduce funds available for other investors;
- settling threatened litigation by a group of investors in Ozzie, and including resolving concerns of the Investment Banker holding the secured note on Ozzie;
- corresponding with the directors and officers insurance carrier regarding claim coverage;
- litigating an appeal concerning entry of the Receivership Order;
- resolving negotiations with remaining lenders on remaining Texas single family projects to determine best way to maximize return to the Estate; and
- supporting home sales efforts following home construction completion.

20. Little new information was received in February and March 2024 that would materially impact the overall recovery to the investors, especially in the short term. One potential exception is monetizing PSW Joint Venture investments prior to the projects being completed, which the Receiver is discussing with the Joint Venture partner. The Receiver determined that the shorter-term sources of cash are limited to asset sales and claims against third-parties and entities related to the former principals. The monetization of PSW's interests in the smaller Joint Ventures is unlikely to create cash for investors in the short-term; most of the Joint Venture developments have relatively long completion timeframes. Unless the Joint Venture partners buyout PSW, sell, or otherwise monetize the Joint Venture projects sooner than anticipated those investments will not generate cash immediately. Collection of tax credits, recoveries from claims, and collection on various receivables could span several years.

21. The Receiver continues to believe the short-term vs. long-term asset monetization forecast requires the Receiver to focus efforts and expenditures on those activities that provide

short-term return to Stakeholders while maintaining oversight on the assets with a longer-term return. Managing long-term investments and other assets is expected to require a significantly less expensive Receivership operation as demonstrated in February and March 2024.

### Operations

22. The Receivership operates with a small staff necessary to complete construction in process, development and entitlement, support PSW's Joint Venture interests, perform accounting tasks, and sell completed homes. Prior to the appointment of the Receiver, PSW terminated or furloughed most employees based on an inability to meet payroll obligations. As of the appointment of the Receiver, the Receiver terminated all remaining employees as PSW had only minimal liquid assets available to meet payroll obligations. As cash flow was identified (including from the issuance of Receiver Certificates), certain Austin employees were re-hired by the Receiver as necessary for the ongoing operations discussed in this Seventh Report. The Receiver retained employees in Seattle to serve the projects in Seattle under construction that are managed by Joint Venture. Compensation for the Receiver's employees in Seattle is paid by Partners Group, not the Estate.

23. As communicated to the Court in December, the Receiver is reducing operating expenses to the extent possible. The Receiver terminated approximately one-third of its remaining Austin-based employees the first week in January 2024, and made additional staffing and compensation reductions throughout the months of February and March 2024.

24. Approximately thirteen (13) employees remain active as of the date of this report, of which seven (7) are salaried employees paid by the Receiver, two (2) are independent contractors working minimal hours, and six (6) are salaried employees paid by a third-party (collectively, the Receiver's "*Personnel*"). Employees are paid their ordinary wages from cash

on hand and through receivership certificates. The Receiver previously implemented employee retention measures and is paying a limited number of employees a small retention bonus following the successful completion of their roles.

25. In early September 2023, the Receiver tasked certain Personnel with (i) assessing the condition of partially completed homes, (ii) determining the cost to complete those homes, and (iii) providing comprehensive analyses to the secured lenders of those properties describing how to maximize associated value. The Receiver and its Personnel held numerous meetings and onsite tours with interested lenders and during February and March 2024 determined which projects and homes were to be completed with the support of two lenders.

26. During February and March 2024, the Receiver made significant strides toward the critical milestones in finishing homes under construction, building upon the momentum established in January 2024. The Receiver's primary focus was on energizing the homes and advancing towards final inspections. As of the date of this report, fifteen (15) homes have obtained permanent power, paving the way for the initiation of final punchwork and Certificate of Occupancy. There have been three (3) home closings in March 2024 with four (4) additional home closings as of the date of this report. In addition, construction has resumed at all eight (8) homes being financed by Amegy Bank.

27. The Receiver continued to interact with home buyers with existing purchase contracts during February and March 2024 to determine their continued interest in closing. Of the ten (10) remaining open purchase contracts, eight (8) homebuyers have indicated their interest in closing on the home under contract. A summary of the number of open contracts and responses from home buyers is attached as **Exhibit 5**. Proceeds from the sale of homes will be used to repay senior secured lenders and any excess proceeds will be held by the Receivership

pending further Court order. If the Receiver determines that the Receivership will not benefit financially from the completion of homes, it may choose an alternative plan for those specific homes.

28. During February and March 2024, the Receiver increased its operational focus on four major functions: (i) the forensic analysis adding a Joint Venture to the scope of the review, (ii) sales of existing projects, (iii) construction, and (iv) supporting the investment banking process. Accounting, legal and IT personnel continue to respond to regulatory agencies outside the normal course of business. In-house functions no longer performed by the Receiver include historical financial statement revision or creation, HOA management, architecture and design, sales and marketing, third-party maintenance and repairs, software development, and managing the Joint Ventures.

#### Employment of Professionals

29. The Receiver continues to employ Reed Smith LLP as its counsel to advise the Receiver in connection with a full panoply of legal work, including but not limited to, identification and preservation of Receivership Assets, negotiations with claims holders, preparation and filing of pleadings and appearances in Court, and general legal analysis, advice and initial and responsive communications concerning the Receivership. The Receiver continues to employ Law Office of Matthew Welch due to his intimate knowledge of the Receivership Entities.

#### Litigation Claims.

30. The Receiver filed litigation claims against several former principals of PSW. The Receiver anticipates that the forensic analysis will support the filing of additional claims and is actively evaluating the value of the potential recoveries to the Estate by pursuing those claims.

Financial Overview

31. The Receiver continues to maintain oversight and control of the Receivership Entities' funds. Through March 31, 2024, PSW issued Receiver's Certificates in the amount of \$2,564,743. See **Exhibit 3**.

The following is a summary of cash balances in Receivership bank accounts as of March 31, 2024:

<u>Accounts</u>	<b>DRAFT</b>
CNB	\$ 541,113
JPM	373,556
Guaranty Bank	120,412
Misc. Banks	2,317
<b>Total</b>	<b>\$ 1,037,398</b>
<b>Cash Restrictions</b>	
Cash Restricted by Fixed Maintenance	(266,853)
<b>Total</b>	<b>\$ 770,545</b>

**Exhibit 2** includes a detailed cash activity through March 31, 2024. The Receiver continues to closely monitor cash and cash flow projections to maximize returns to Stakeholders.

**B. Regulatory matters**

32. The Receiver continued to provide information to eight governmental authorities during February and March 2024: (i) the Federal Bureau of Investigation, (ii) the Texas Comptroller of Public Accounts, (iii) the Texas State Securities Board, and (iv) the Internal Revenue Service, (v) the U.S. Securities and Exchange Commission, (vi) the US Department of Labor; (vii) State of Washington Labor and Industries; and (viii) the Texas Labor Board. The Receiver is cooperating with all governmental authorities. The Receiver is producing documents

and information responsive to subpoenas issued by governmental authorities on a rolling basis. The Receiver expects the costs of preparing responses will continue to be significant. The Receiver is working with its counsel to minimize the expenses of responding and coordinating gathering information for the forensic accounting to the extent possible to avoid duplication of efforts.

### **C. Identifying and Organizing Claims**

33. The Receiver is in the process of identifying all creditors of each Receivership Entity. This is an ongoing process that requires a sizeable portion of the Receiver's time. As of March 31, 2024, the Receiver had already received 1216 completed claim forms.

34. The Court approved the *Motion to Establish Claims Procedures, To Approve Claim Form, and to Approve Injunction Notice* (the "**Claims Motion**") on October 5, 2023. Following the Court's approval, the Receiver implemented an online claims portal to allow claim holders the ability to provide their claims efficiently (<https://storybuiltreceivership.com/>). The Receiver will establish a claims bar date by separate motion and approval from the Court.

### **D. Liquidating Assets**

35. To maximize returns to Stakeholders, the Receiver intends to market all remaining monetizable Receivership Assets as efficiently as possible. As described above, the Receiver has filed the Charley Sales Motion and the Ozzie Motion, which will monetize the Estate's interest in those projects.

36. The Receiver is assessing the options for maximizing PSW Joint Venture investments. The main options available are to hold the minority share in those investments through project completion, or to negotiate a sale of PSW's interest in the Joint Ventures to third parties or the Joint Venture partner.

37. The Receiver chose to turnover master condominium association management of two mixed use projects and a partially completed residential community to the respective HOAs through a Rule 11 Agreement filed with the court and retained a residential real estate specialist to support the marketing and sale of homes. The Receivers will seek court approval for any such additional retentions.

**E. Financial Reporting.**

38. The Receiver's accounting team completed PSW's 2022 and 2023 financial statements, to the extent feasible, to support forensic accounting, investment banking and claims processing initiatives. The Receiver determined that further efforts towards completing historical financial statements and the related tax returns will not likely increase the potential return to Stakeholders. The Receiver notified investors that tax returns and the related K-1s would not be completed. During February and March 2024 the Receiver's accounting accomplished the following:

- General:
  - Updating the general ledgers for previously unrecorded activity (including significant intercompany activity), completed draft 2022 and 2023 financial statements, and
  - Downsized the internal accounting department
  - Completed Yardi (property and community management) close outs
  - Continued claims reconciliation process (agreeing submitted claims to approved AP lists, researching exceptions to validate claims and update AP details
  - Interviewed firms for tax work, obtained bids and recommended that the Receiver not move forward as the cost of preparing tax returns exceeds the value of the related K-1s
  - Completed all monthly bank reconciliations through January 2024 and closed unneeded accounts after capturing historic activity.
  - Continued Fixed Maintenance collection efforts, cleared outstanding sales tax reporting issues to allow state-related entities to pay amounts owed.
- Project/Joint Venture:
  - Began the financial reconstruction and reconciliation of the largest Joint Venture.



- Supported the legal analysis of the Joint Venture partner's investments and actions prior to the removal of PSW as Manager.
- Progressed single family home construction and related loan draws.
- Supported JV partners preparation of year financial statements and related tax returns.
- HOA/Community Management:
  - Communicated that Receivership would not provide any additional support to the HOAs.

**E. Forensic Accounting.**

39. As initially described to the Court, the Receiver continues its iterative approach to the forensic accounting project to drive efficiency and value to the stakeholders. The Receiver believes that there will soon be a point in time where additional forensic accounting efforts will not improve recovery to Stakeholders.

40. The goal of the forensic accounting project overview is to:

- Confirm investor and creditor funding details;
- Analyze distributions and debt payments;
- Propose distribution plan for Court approval; and
- Identify potential claw-back claims.

41. The initial forensic analysis was included in a separate report filed concurrently with the last Receiver's report. The Receiver's forensic work performed to date indicates that PSW's principals violated operating agreements, favored some investors over others, filed incorrect tax returns, and either failed to create or created inaccurate or unsupportable financial statements. PSW's principals disregarded corporate formalities and principles of corporate separation and, as previously reported, transferred money between entities with little documentation or investor knowledge.

42. The forensic efforts include assessing the timing, support, and rationale of investments and payment stoppages related to the largest Joint Venture. That combined legal and financial analysis will be presented to the Joint Venture partner with the financial reconciliation shortly.

43. During February and March 2024, the Receiver expanded the time frame covered by its forensic analysis to include all investments, payments and the financial behavior and patterns of PSW's former principals. Such additional analysis is needed to support a "money in/money out" analysis likely to prove necessary for the ultimate resolution of the Receivership Entities.

#### **F. Claims Resolution and Distributions**

44. After liquidating the Receivership Assets, the Receiver will file a motion to establish a distribution plan with the Court. The following discussion relates to the assets remaining after payments to secured lenders and to satisfy administrative expenses of the receivership estate.

45. The Claims process is underway. The claims portal provides a means for creditors and investors to describe what is owed to them and to upload relevant documentation. The Receiver will reconcile claims using the Receivership Entities' records. Additional detailed historical bank records were provided to the Receiver in late December 2023, which the Receiver used to construct financial statements and track relevant cash flows. Distributions and loan payments were also analyzed using bank records, PSW financial records, the investment software records, the agreements governing those investments, and the PSW financial records.

46. The Receiver is closely monitoring the myriad vendor and employment claims submitted to better understand the future effort required to verify those claims then manage the distribution of funds.

39. The Receivership Entities did not function as separate entities. PSW's principals violated basic concepts of corporate separateness. Distributions were not made according to relevant governance agreements, equitably within classes, or in an otherwise financially responsible manner. Capital transactions involving various classes of stock may not prove to have economic substance or be supported by the appropriate corporate documentation.

40. As a result, the Receiver does not intend to distribute proceeds from the sale of Receivership Assets upon sale, except for payment of specifically related secured debt obligations and expenses of the administration of the Receivership. Further distributions will be made upon completion of the forensic accounting and a motion presented to the Court for approval or other appropriate action. Except for the foregoing uses, the Receiver will not distribute any Receivership Assets without an order from the Court.

Respectfully submitted,

**REED SMITH, LLP**

*/s/ Bradley J. Purcell*

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*Attorney for Receiver*

**CERTIFICATE OF SERVICE**

I hereby certify that, on April 25, 2024, a true and correct copy of the foregoing document was served on all counsel of record pursuant to the Texas Rules of Civil Procedure via the Court's electronic filing system.

*/s/ Taylre C. Janak*

Taylre C. Janak

# EXHIBIT 1

## Bank Account Balances

Bank Cash Balances Exhibit		DRAFT	
		Aug. 1st Balance	March 31st Balance
<b>PSW Account Balances</b>			
<b>City National Bank</b>			
	CNB Receiver's Account	-	435,901
	CNB Fixed Maintenance Account	-	105,212
	<b>City National Bank Total Balance</b>	<u>\$ -</u>	<u>\$ 541,113</u>
<b>JP Morgan</b>			
	*9215 - Fixed Maintenance and Repair, LLC Account	12,373	269,927
	*6559 - PSW Homes LLC Account	18,675	65,651
	*6021 - PSW Real Estate, LLC Account	(22,031)	-
	*2537 - PSW Real Estate, LLC Account	-	-
	*2750 - SB 4190 West Colfax LLC Account	732	-
	*0231 - SB-Bruno, LLC, LLC Account	1,421	-
	*5158 - 6556 Ravenna, LLC Account	1,200	-
	*5315 - SB JV Property Mgmt, LLC Account	118	-
	*8776 - SB-Kramer, LLC Account	4,180	-
	*8727 - SB-Ozzie, LLC Account	-	-
	*8632 - SB SF Holdings, LLC Account	2,807	-
	*8750 - SB Dayton, LLC Account	165	-
	*8569 - Fixed Maintenance and Repair, LLC Account	2,760	37,978
	<b>JP Morgan Total Balance</b>	<u>\$ 22,400</u>	<u>\$ 373,556</u>
<b>Guaranty Bank</b>			
	*2345 - PSW Real Estate, LLC *2345	-	-
	*6577 - PSW Real Estate, LLC *6577	(10)	-
	*9249 - Willa Comm SBC, LLC *9249	14,573	120,412
	<b>Guaranty Bank Total Balance</b>	<u>\$ 14,563</u>	<u>\$ 120,412</u>
<b>ABC Bank</b>			
	*4588 - PSW White Rock Trail, LLC Account	160	-
	<b>ABC Bank Total Balance</b>	<u>\$ 160</u>	<u>\$ -</u>
<b>Dallas Capital</b>			
	*9129 - SB DT Plano	-	507
	<b>Frost Bank Total Balance</b>	<u>\$ -</u>	<u>\$ 507</u>
<b>Frost Bank</b>			
	*1121 - PSW Luma LLC Account	-	-
	<b>Frost Bank Total Balance</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Moody Bank</b>			
	*7674 - SB-Bruno, LLC, LLC Account	1,855	1,810.21
	<b>Moody Bank Total Balance</b>	<u>\$ 1,855</u>	<u>\$ 1,810</u>
<b>Prosperity Bank</b>			
	*3420 - PSW Real Estate, LLC Account	-	-
	<b>Prosperity Bank Total Balance</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Susser Bank</b>			
	*2854 - PSW Real Estate LLC Account	-	-
	<b>Susser Bank Total Balance</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Veritex</b>			
	*7710 - PSW Urban Homes, LLC Account	493	-
	<b>Veritex Total Balance</b>	<u>\$ 493</u>	<u>\$ -</u>
	<b>PSW Account Total Balances</b>	<u>\$ 39,471</u>	<u>\$ 1,037,398</u>

## EXHIBIT 2

## Cash Detail Schedule

PSW Real Estate LLC dba StoryBuilt				DRAFT		
Cash Activity from August 1 to March 31, 2024				Aug 1 to Jan 31, 2023	Feb 1 to March 31, 2024	Total
<b>Total PSW Bank Account Balances</b>				<u>\$ 39,471</u>		<u>\$ 39,471</u>
Cash Receipts:						
Sale Proceeds		3,825,989	[1]	-		3,825,989
Borrowed via Receivers Certificates		1,092,218		7,064		1,099,282
Accounts Receivable Collections		571,716		6,030		577,745
Loan from Investment Bank		500,000		-		500,000
Rent Receipts		217,554		48,976		266,530
Reimbursements & Other		59,236	[2]	31,161		90,397
	<b>Total Cash Receipts</b>	<u>\$ 6,266,712</u>		<u>\$ 93,231</u>		<u>\$ 6,359,943</u>
Cash Payments:						
Professional fees		(2,137,190)		(933,117)	[4]	(3,070,307)
Payroll & Benefits, net		(1,034,808)		(199,474)		(1,234,282)
Insurance policies		(420,619)		(84,530)		(505,148)
Monthly Debt Service - Willa		-		-		-
Software/Technology		(173,149)		(63,356)		(236,506)
Misc Operating Expenses		(101,232)		(28,290)		(129,522)
Property Maintenance & Taxes		(85,236)		(96,029)		(181,265)
Banking Fees		(3,256)		(1,730)		(4,986)
	<b>Total Cash Payments</b>	<u>\$ (3,955,490)</u>		<u>\$ (1,406,526)</u>		<u>\$ (5,362,016)</u>
<b>Total PSW Bank Account Ending Balances</b>				<u>\$ 2,350,693</u>	<u>\$ 1,037,398</u>	<u>\$ 1,037,398</u>
Cash Restricted by Fixed Maintenance		\$ -		\$ -		\$ (266,853)
	<b>Total Available PSW Bank Account Ending Balances</b>	<u>\$ 2,350,693</u>	[3]	<u>\$ 1,037,398</u>		<u>\$ 770,545</u>
<p>[1] Sale proceeds from the delivery of two apartments in Project Nora sold prior to the Receivership and on Goose Run, sold during the Receivership</p> <p>[2] Includes misc refunds, reimbursements, escrow refund being researched for which entity it is due to</p> <p>[3] Three accounts were inadvertently included in the initial inventory and should not be considered assets of the receivership estate. Two of those accounts were labeled "PSW West Dallas Urban Village"</p> <p>[4] Professional Fees paid to StoryBuilt's former in house counsel for work performed included</p> <p>[5] A portion still to be determined of the rent receipts less the monthly debt service already paid will be payable to the secured lender, Guaranty Bank</p> <p>[6] The Receiver was granted access to \$600,000 of Fixed Maintenance funds. Of the total \$413,117 Fixed cash included here, \$148,796 is available to use and \$266,853 is restricted.</p> <p>[7] Reference Bank Cash Balance Exhibit for a breakdown of balances by account</p>						



## EXHIBIT 3

## StoryBuilt Receiver Certificates

Investor	Date Funded	Amount Funded	Notes
Trey Cook	08/01/2023	\$1,380,008	Amount used to hold off foreclosure of several Balance Sheet Assets on 7/5/2023. \$380,000 was for Health Insurance premium paid July 31, 2023. Certificate Issued
Forty Six & 2 Design LLC	08/01/2023	10,000	Not shown in the Receiver's account. Amount was used before the account was setup. Certificate Issued.
Ben Rutkowski	08/01/2023	10,000	Not shown in the Receiver's account. Amount was used before the account was setup. Certificate Issued.
Anthony Siela	08/01/2023	35,000	Not shown in the Receiver's account. Amount was used before the account was setup. Certificate Issued.
Jerald Ryan Diepenbrock	08/01/2023	15,453	Paid directly to health insurance provider. Certificate being reissued under correct name.
Shepler Brothers & Company, LLC	08/01/2023	15,000	Paid directly to health insurance provider, Certificate issued
Jerald Diepenbrock	08/09/2023	25,000	Deposit shown in the Receiver's account, Certificate issued.
Anthony Siela	08/11/2023	65,000	Deposit shown in the Receiver's account, Certificate issued.
Trey Cook	08/14/2023	50,000	Deposit shown in the Receiver's account, Certificate issued.
Gerald Byrd	08/14/2023	200,000	Deposit shown in the Receiver's account, Certificate issued.
Shirley Diepenbrock	08/14/2023	25,000	Deposit shown in the Receiver's account, Certificate issued.
Robert D. Kingsland	08/29/2023	25,000	Deposit shown in the Receiver's account, Certificate issued.
Cindy Quarte and Dave Quirarte, J	09/01/2023	50,000	Deposit shown in the Receiver's account, Certificate issued.
Kim McAtee and Jamie McAtee, M	09/01/2023	30,000	Deposit shown in the Receiver's account, Certificate issued.
Guillermo Sesma	09/12/2023	249,970	Deposit shown in the Receiver's account, Certificate issued.
Emily E. Cruthirds	09/12/2023	50,000	Deposit shown in the Receiver's account, Certificate issued.
Garrett M. Cook	09/13/2023	50,000	Deposit shown in the Receiver's account, Certificate issued.
Travis D. Cook	09/15/2023	25,000	Deposit shown in the Receiver's account, Certificate issued.
Jerry Todd Cook	09/15/2023	50,000	Deposit shown in the Receiver's account, Certificate issued.
Travis Cook	09/20/2023	25,000	Deposit shown in the Receiver's account, Certificate issued.
Guillermo Sesma	09/25/2023	50,000	Deposit shown in the Receiver's account, Certificate issued.
Mark Ezell	09/29/2023	11,620	Payment of FM Corporate Card
Daniel Schroeder	10/02/2023	50,000	Deposit shown in the Receiver's account, Certificate issued.
Phillip Hastings	10/20/2023	25,000	Deposit shown in the Receiver's account, Certificate issued.
Phillip Hastings	10/23/2023	25,000	Deposit shown in the Receiver's account, Certificate issued.
Mark Ezell	11/15/2023	3,513	Payment of FM Corporate Card
Mark Ezell	12/31/2023	3,606	Payment of FM Corporate Card
Mark Ezell	01/19/2024	3,509	Payment of FM Corporate Card
Mark Ezell	02/21/2024	3,547	Payment of FM Corporate Card
Mark Ezell	03/22/2024	3,517	Payment of FM Corporate Card
<b>Total</b>		\$2,564,743	

# EXHIBIT 4

## Homebuyer Contracts

Project Name	Unit	Address	Sale Status	Contacted
Lucy	10B	1190 Sarabeth Way	Sold	Yes
Lucy	12A	1187 Sarabeth Way	Under Contract	Yes
Lucy	13A	1185 Sarabeth Way	Spec	
Lucy	13B	1184 Sarabeth Way	Spec	
Lucy	14A	1183 Sarabeth Way	Under Contract	Yes
Lucy	14B	1182 Sarabeth Way	Under Contract	Yes
Lucy	15A	1181 Sarabeth Way	Under Contract	Yes
Lucy	15B	1180 Sarabeth Way	Under Contract	Yes
North Bluff 3	67	814 N Bluff Dr	Spec	
North Bluff 3	68	814 N Bluff Dr	Sold	Yes
North Bluff 3	69	814 N Bluff Dr	Spec	
North Bluff 3	70	814 N Bluff Dr	Sold	Yes
North Bluff 3	71	814 N Bluff Dr	Sold	Yes
North Bluff 3	72	814 N Bluff Dr	Spec	
North Bluff 3	73	814 N Bluff Dr	Under Contract	Yes
North Bluff 3	74	814 N Bluff Dr	Under Contract	Yes
North Bluff 3	75	814 N Bluff Dr	Under Contract	Yes
North Bluff 3	76	814 N Bluff Dr	Spec	
North Bluff 3	77	813 N Bluff Dr	Sold	Yes
North Bluff 3	78	814 N Bluff Dr	Sold	Yes
North Bluff 3	79	814 N Bluff Dr	Under Contract	Yes
North Bluff 3	80	814 N Bluff Dr	Under Contract	Yes
North Bluff 3	81	814 N Bluff Dr	Spec	

# EXHIBIT 5

## Accounting Achievements:

### JANUARY

#### *General*

- Reviewed Newstar and Yardi accounting records. Attempted to create draft 2022 and 2023 financial statements. Most initially resulted in unbalanced books. Worked to reconcile books and to tie into prior year tax returns and audit schedules noting that many of the entity level books could not be reconciled to prior year tax returns and other support/reporting.
- Attempted to engage a third party CPA firm to complete tax returns. Given the poor quality of the books, the disagreements noted between books and records, returns and operating agreements, the bid to complete the work came back quite high- approximately \$320K in total for 2022 and 2023 with the expectation that final fees might wind up being more. It should be noted that for 2021, tax prep fees were approximately \$250K in total for that year alone.
- Continued to issue checks and final reporting to HOAs
- Continued claims reconciliation process, matching claims to approved invoices and researching claims not supported by approved invoices.
- All bank reconciliations completed through October 2023, most through November 2023. Continued to consolidate cash balances and close accounts.
- Filed sales tax reports for Fixed through November.
- Continued Fixed collection efforts. Collections dwindling and recommending that Receiver engage a professional collection firm to finish collection efforts.

#### *Project/Joint Venture*

- Progressed single family home construction and related loan draws
- Supported JV partners preparation of year financial statements and related tax returns

#### *HOA/Community Management*

- Communicated that Receivership would not provide any additional support to the HOAs

### FEBRUARY

#### *General*

- Abandoned further reconciliation of prior year books and attempts to complete tax returns due to time and money constraints. Recommending that we announce to all investors/owners/partners that we won't be completing the work and that they should work with their own tax preparers/advisors as to how to treat/report that fact
- Final payments sent to HOAs
- Continued claims reconciliation process, matching claims to approved invoices and researching claims not supported by approved invoices.
- Completed bank reconciliations through December 2023
- Completed 2022 Franchise tax report for Fixed to be filed in March.

- Continued Fixed collection efforts. Collections dwindling. Engaged a professional collection firm to finish collection efforts.
- Reduced accounting staff by 1.

***Project/Joint Venture***

- Progressed single family home construction and related loan draws
- Supported JV partners preparation of year financial statements and related tax returns
- Closed accounts and delivered funds to JV Partners (PG, IHP)
- Facilitated transition of Willa Commercial asset to lender control.

**March**

***General***

- Reduced internal accounting staff by 1 (now just 2 internal staff)
- Ongoing accounting work, including processing payroll, payables, etc
- HR work including processing terminations, severance pay, etc
- Continued adjustments to 2022 and 2023 books, as discovered
- Continued claims reconciliations/vetting
- Engaged collection firm to accelerate collections on Fixed Maintenance and Repair receivables
- Closed additional unused bank accounts
- Worked with auction company on office inventory and eventual auction/liquidation of SB office in Austin
- Reconciled and caught up on outstanding benefit amounts

***Project/Joint Venture***

- Supported home construction, processing invoices, researching utility accounts
- Ongoing work the JV partners to reconcile equity positions, fees, prepare tax returns for continuing entities
- Continuing to attempt to return final cash balances to HOAs that have been non-responsive to outreach