

CAUSE NO. D-1-GN-23-003968

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 TWELFTH STATUS REPORT**

The Stapleton Group, LLC,<sup>1</sup> in its capacity as receiver (“**Receiver**”), files this *Twelfth Status Report* for the month of October 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

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<sup>1</sup> Stapleton Group Inc. (“Stapleton”) converted from a corporation to a limited liability company in the second quarter of 2024. On or about October 1, 2024, J.S. Held LLC acquired Stapleton.

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. Please refer to the previous Receiver's reports which can be found at <https://storybuiltreceivership.com>.

4. 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 (collectively, the "*Constituent Representatives*"), and former principals Anthony Siela, Ryan Diepenbrock, and Chad Shepler (collectively, the "*Principals*") all of whom felt strongly about the value of the Receivership Entities including corporate investments, Joint Ventures and Developments. As a result of an intensive marketing effort to sell the Receivership Entities, Joint Ventures and the Developments, the viability of the Receivership Entities and market value of the Joint Ventures and the Developments was proven to be well below all expectations of the Constituent Representatives and Principals. Indeed, the Receiver, through a thorough review of the Receivership Entities' financial historical activity has determined that PSW likely has been insolvent as far back as 2021. The Receivership Entities' inability to provide audited financials for 2021 and 2022 to potential buyers stunted efforts to procure buyers for PSW as a going concern. Further, the values of the Developments were significantly lower than the expectations of the Constituent Representatives, as demand in most cases was not strong enough to generate equity through the sale of individual projects. In addition, many of the Developments were tied up in defaulted Joint Ventures, where PSW had

been removed from its management role, thus making PSW's interest in the Developments less marketable. At the outset of the Receivership, the general consensus from the Constituent Representatives was that:

- a. the loan-to-value ratio on the real estate portfolio was below 50% - meaning the properties were worth at least twice the debt;
- b. Developments were ready to move forward and those in mid-construction could be restarted and finished quickly;
- c. an employment related tax refund valued at \$4.2 million was in process;
- d. there was significant value in presenting the Receivership Entities to the market as a going concern based on:
  - i. strong accounting, development and operation teams with operating systems capable of supporting the Developments; and
  - ii. innovative and profitable Developments in highly desirable markets;
- e. 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
- f. the Joint Venture partners would support a going concern marketing strategy.

5. At the time the Receiver was appointed, the Receivership Entities were completely out of cash, despite recently borrowing more than \$4 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 had been formed by a group of concerned shareholders and executives and an oversight committee was created to oversee management prior to the Appointment Date.

6. Post-appointment, the Receiver has uncovered numerous undisclosed and/or unrecorded liabilities, financial obligations, and agreements with former employees as described in more detail below and in the exhibits to this report. These problems have further complicated potential transactions and, in some cases, materially and negatively impacting the feasibility of individual projects.

7. The Receiver has uncovered and been made aware of numerous unrecorded liabilities related to project financing, development operations, and other matters. In addition, many agreements executed between PSW, or PSW-related development entities, were highly unfavorable to PSW. Joint Venture partners and other parties were contractually allowed to take control of projects and to take actions adverse to PSW, such as removing PSW as manager or preventing PSW from making certain operating decisions. These unexpected limitations dampened interest from potential investors and buyers.

8. As described in more detail below, by the end of 2023, the Receiver determined that the pre-receivership general consensus from the Constituent Representatives did not accurately reflect the circumstances of PSW. In particular, the Receiver has discovered that the value of the Developments, the value of the Receivership Entities as a going concern, and the ability of the Receivership Entities to continue operations as going concerns was unreasonably optimistic and wholly inaccurate. For example, the Receiver determined that PSW is likely ineligible for any portion of the \$4.2 million of employment tax credit refund, and that pre-Receivership, PSW had filed a non-compliant refund request. As a result, the Receiver had no choice but to change course in the administration of the Receivership to focus on monetizing the remaining assets and reducing administrative costs.

9. Prior to the Appointment Date, PSW operated and invested in alternate lines of business (collectively, the “*Extraneous Businesses*”), which were financially unsuccessful 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 ePropertyCare (“*EPC*”) (with an option for full acquisition), a smart building property technology (aka prop-tech) company, with an option to purchase EPC; (iv) EPC software to manage PSW controlled projects; and (v) minority ownership (with plans of full acquisition) of HomBase, a complimentary prop-tech software company for property owners and managers, which was recently sold.

10. The Extraneous Businesses generated significant net losses for PSW and were a cash drain. The administrator managing HomBase provides regular status reports to the Receiver. Those reports project that PSW will only recover a portion of the \$1.45 million it invested. The Receiver is collecting accounts receivable for Fixed Maintenance, whose operations were shuttered prior to the Receivership. The Receiver retained a collection agency to support the collection of most of the remaining receivables. The Extraneous Businesses are unlikely to yield significant money to the Receivership.

11. The Receiver prepared an analysis of the pre- and post-acquisition financial activity related to Fixed Maintenance. The preliminary findings are that PSW funds were regularly comingled with Fixed Maintenance funds and that PSW provided more than \$1 million in working capital between the acquisition date in May 2022 and July 31, 2023.

12. 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 including non-real estate assets (now, the “*Receivership Assets*”). At the onset of the Receivership multiple real property backed loans made to PSW and PSW related entities were threatening foreclosure. The Receiver entered into multiple Rule 11 agreements with lenders due to foreclosure and litigants negatively impacting recovery efforts. Ultimately, the PSW portfolio proved to have significantly less value than expected, but the Receiver continues to negotiate with Joint Venture partners and lenders to realize any recovery that can be achieved. The Receiver and accounting team also continued its 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.

13. The Receiver continues to execute on its plan to reduce expenses and focus efforts on monetizing assets. Simultaneously, the Receiver has completed a substantial 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 the employees of PSW’s after previously closing its physical offices in Austin, Texas in early 2024. The Receiver and its professionals are limiting effort to activity that is expected to produce net cash returns to the Receivership. Those activities are primarily responding to legal challenges, completing and selling remaining homes, selling the remaining assets, and pursuing claims.

14. The timing of the PSW RE/ StoryBuilt (“**StoryBuilt**”) receivership wind down is dependent on monetizing the remaining assets, settling outstanding claims, and requesting court approval of a distribution of the assets. The remaining assets are primarily:

- a. Cash and receivables;
- b. Note receivable from HomBase sale;
- c. Sales tax and other refunds;
- d. Seven (7) single family homes in the Austin area;
- e. Minority interests in 3 Joint Ventures; and
- f. Litigation claims.

15. The Receiver plans to complete the sale of the remaining real estate assets, complete the construction and sale of the remaining single-family homes, provide this Court a final report and recovery estimate, and recommend a distribution plan for Court approval for when and if funds become available. The Receiver will then propose a structure to allow the pursuit of claims for the Estate’s benefit, review of claims filed by creditors and investors, monitor the Joint Venture Projects, and collect and distribute cash according to the Court-approved distribution plan. This operating structure could extend to multiple years if recoveries extend materially e.g. to allow Joint Venture Projects to be developed. The administrative costs would be sharply reduced in that case. Primarily oversight of outstanding claims or receivables and the Receiver does not anticipate the need for regular hearings, regular attorney time, or regular administrative time.

16. The few remaining assets of the Receivership Estate will be further 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. PSW'S FINANCIAL SITUATION ON AUGUST 1, 2023

### *Financial and Legal Matters*

PSW's serious financial distress began far before the inception of the receivership. In many transactions analyzed by the Receiver, funds raised by PSW from 2021 through July 2023 were used to satisfy previously incurred financial obligations and to invest in extraneous businesses as described above. Cash seems to have been spent wherever the pressure was most intense within the PSW organization, instead of being used in the manner represented to investors, as can be illustrated by the Dayton/Ravenna activity, and the Charley Revenue Sharing Agreements, which the Receiver has previously reported. *See **Exhibits 7 and 8***. One of the driving forces for the receivership was that PSW had exhausted its ability to obtain capital and was facing imminent liquidation in addition to legal action.

At the same time, expenses far outstripped revenue in the face of a Joint Venture partner first cutting off funding and then permanently reducing funding as a result of PSW's inability to provide the Joint Venture partner with certain financial information. Upon appointment, the Receiver sought to immediately reduce expenses by terminating employees and rehiring just enough employees to maintain accounting, manage construction and support the going concern sale and marketing effort of PSW.

Based on a review of existing financial documents and a reconstruction or creation of historical financial documents, the Receiver believes PSW was technically insolvent before December 31, 2020. Constructing this information has required countless hours of effort by the Receiver, and was compiled as accurately as possible given the lack and/or inaccuracy of



PSW’s accounting. This analysis is subject to change based on the discovery of additional information, but the below table demonstrates PSW’s historical solvency:

**StoryBuilt Insolvency Analysis**

**DRAFT**

PSW Real Estate, LLC (dba The StoryBuilt Company)

	Audited 12/31/2020	Unaudited 3/31/2021	Unaudited 6/30/2021	Unaudited 9/30/2021	Draft audited 12/31/2021	Unaudited 3/31/2022	Unaudited 6/30/2022	Unaudited 9/30/2022	Unaudited 12/31/2022
<b>Cash / Liquid Assets</b>	<b>6,408,615</b>	<b>6,187,000</b>	<b>3,848,933</b>	<b>4,761,962</b>	<b>24,841,840</b>	<b>1,246,806</b>	<b>6,449,264</b>	<b>2,340,700</b>	<b>2,413,371</b>
Real estate	200,942,029	233,269,700	222,915,268	207,001,838	121,435,326	137,469,781	114,028,002	106,854,059	141,185,488
PP&E	33,928,914	16,556,800	26,373,806	17,982,629	39,529,483	39,462,214	39,763,877	41,377,119	38,279,332
Other	11,264,931	13,916,500	11,860,509	13,005,656	20,083,680	21,681,953	28,562,152	21,988,546	30,001,147
<b>Total Assets (as reported by Storybuilt)</b>	<b>252,544,489</b>	<b>269,930,000</b>	<b>264,998,516</b>	<b>242,752,085</b>	<b>205,890,329</b>	<b>199,860,754</b>	<b>188,803,295</b>	<b>172,560,424</b>	<b>211,879,338</b>
Trade Payables and Accrued Obligation	9,701,549	4,529,000	4,624,158	7,475,961	33,001,120	5,646,965	15,142,967	20,548,932	24,671,352
Other Accrued Liabilities	4,293,485	4,800,000	8,359,011	3,132,694	3,263,009	3,251,787	2,417,294	1,862,765	6,506,872
RSA obligation	6,783,188	11,153,963	15,524,737	15,524,737	15,731,550	15,581,693	15,517,257	12,414,108	12,599,809
Corporate Notes	5,662,695	5,662,695 <sup>[1]</sup>	5,662,695 <sup>[1]</sup>	5,662,695 <sup>[1]</sup>	11,709,397	12,073,782	13,364,264	13,863,591	19,595,091
<b>Unsecured debt</b>	<b>26,440,917</b>	<b>26,145,658</b>	<b>34,170,601</b>	<b>31,796,087</b>	<b>63,705,076</b>	<b>36,554,227</b>	<b>46,441,782</b>	<b>48,689,396</b>	<b>63,373,124</b>
Secured debt	134,255,388	123,469,608	123,769,922	118,125,016	87,456,582	89,757,024	92,098,245	90,459,858	110,418,452
<b>Total Liabilities<sup>[2]</sup></b>	<b>160,696,305</b>	<b>149,615,266</b>	<b>157,940,523</b>	<b>149,921,103</b>	<b>151,161,658</b>	<b>126,311,251</b>	<b>138,540,027</b>	<b>139,149,254</b>	<b>173,791,576</b>
<b>Net Assets</b>	<b>91,848,184</b>	<b>120,314,735</b>	<b>107,057,992</b>	<b>92,830,982</b>	<b>54,728,671</b>	<b>73,549,502</b>	<b>50,263,268</b>	<b>33,411,170</b>	<b>38,087,762</b>
<b>Evaluation:</b>									
Net Working Capital <sup>[3]</sup>	(7,586,419)	(3,142,000)	(9,134,236)	(5,846,693)	(11,422,289)	(7,651,946)	(11,110,997)	(20,070,997)	(28,764,853)
Quick/Acid Ratio <sup>[4]</sup>	0.46	0.66	0.30	0.45	0.69	0.14	0.37	0.10	0.08
Debt/ Equity <sup>[5]</sup>	1.60	1.17	1.35	1.50	2.10	1.60	2.41	3.49	3.74
<b>Adj unsecured debt vs cash</b>	<b>(20,032,302)</b>	<b>(19,958,658)</b>	<b>(30,321,668)</b>	<b>(27,034,125)</b>	<b>(38,863,236)</b>	<b>(35,307,421)</b>	<b>(39,992,518)</b>	<b>(46,348,696)</b>	<b>(60,959,753)</b>

[1] Reporting of the Corporate Notes during this quarter is not sufficient or reliable, so the balance is assumed to remain consistent with the last reported quarter.

[2] As reported by StoryBuilt, except otherwise noted in footnote 1 above.

[3] Consists of cash, Liquid Assets Less AP, and Accrued Liabilities.

[4] Cash and Liquid Assets divided by AP and Accrued Liabilities

[5] The sum of all RSA, Corp Notes, and Secured Debt divided by Net Assets.

Problems identified in PSW’s pre-Receivership accounting include that Debt was misclassified as equity and Homeowner deposits of more than \$2.2 million were either mismanaged or were not appropriately segregated. The Receiver’s investigation has also revealed that PSW was likely making preferential payments to certain investors over others, either in response to threats from these investors or to immediately ask them to invest additional money in new projects. *See, e.g., Exhibit 8.* The Receiver’s investigation has been significantly hampered by an apparent lack of transparency with PSW’s own accounting team due to a lack of information and/or inaccurate information, commingling of funds, failure to record liabilities accurately, and inflating asset values and forecasts. The Receiver was only able realize the true financial condition of PSW through painstaking and complex construction of financial information to begin to realize the actual market position of the projects. The actual value of

PSW's assets was ultimately determined through an aggressive and comprehensive marketing effort. Those efforts resulted in more than 592 non-disclosure agreements being submitted by potential buyers, and each project receiving an average of 8 offers.

In addition, shortly after the receivership began, the Receiver received numerous subpoenas from regulatory agencies regarding PSW's pre-receivership conduct. The Receiver spent many hours responding to subpoenas served in relation to these investigations, which required the retention of counsel.

### **III. SUMMARY OF RECEIVERSHIP OPERATIONS**

#### **A. Status of Receivership activity**

Since the inception of the Receivership, the following activities and results have been completed in accordance with this Court's Order:

- Sixteen (16) homes delivered to existing or new home buyers. Some existing homebuyers had been under contract for more than two years;
- Stabilized neighborhoods under construction suffering from vagrant trespassing and vandalism;
- Responded to information and reporting requests from more than eight regulatory agencies to support their investigations;
- Brought Fixed Maintenance invoicing current. It was several months delayed at the inception of the Receivership;
- Reconstructed financial records for Fixed Maintenance. Filed past due sales tax and other returns which by law prevented Texas state agencies to pay past due amounts;
- Repaid more than \$58 million to secured lenders;
- Re-employed approximately 20 former employees which allowed the Receivership to benefit from their knowledge and provided a transition to their next jobs;
- Created a claims management system and processed 1,329 claims from investors and creditors;

- Uncovered and made claims related to pre-Receivership payments made to repair homes not owned by Receivership Entities;
- Filed a motion to retain special counsel to pursue D&O claims;
- Resolved an out-of-state dispute with investors which netted \$100,000 to the Receivership Estate; and
- Filed claims against the former executives.

**B. Marshaling and Preserving Assets**

*Identifying Assets*

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 three (3) Developments<sup>2</sup> and fifteen (15) Joint Ventures<sup>3</sup> across two 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**”) lenders. The Receiver is calculating the Receivership Entities’ interests in all remaining 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, 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>
Lucy	Austin	\$1,109,114	3 homes remaining
North Bluff	Austin	\$857,510	4 homes remaining
Jolene	Dallas	\$46,102,048	\$17.1M 1st Position with B1 Bank, \$29M 2nd Position with PG
Receiver's Notes	N/A	\$2,591,821	
<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	

The Receiver is evaluating and analyzing each of the remaining Developments to determine how best to maximize returns to creditors and investors. The Receiver entered into several agreements with senior secured noteholders that allowed the foreclosure of specific Receivership Assets that were not anticipated to bring funds into 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*”).

Based on the remaining estimated recoveries and liabilities, the Receiver does not anticipate making payments to unsecured creditors or investors prior to terminating the receivership. The Receiver anticipates that claims and other recoveries could be pursued into the future.

*The Receivership is completing the first phase of the assignment.*

As reported in the Receiver’s Sixth Report, numerous factors led to a rapid change in the Receivership’s strategy from rehabilitation of an operating development company to efficient monetization of any assets in which there appeared to be equity for the Stakeholders.

As described in detail in the Receiver’s Tenth Report, during June and July 2024, the Receiver was seeking to sell PSW’s interest in Project Charley. Also see Exhibit 7 for details regarding Project Charley. The secured lender noticed an Article 9 foreclosure auction of PSW’s

interest in the project, subject only to PSW paying off the entire secured debt. The Receiver did not have sufficient assets to pay the secured debt and, as a result, PSW's interest was sold at a public sale on August 26, 2024. PSW has since been removed as manager of the ownership entity.

The Receiver 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 maximizes 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.

The Receiver's activities in October 2024 included, but were not limited to, the following:

- Revising financial analyses and related documents describing activity with largest Joint Venture partner;
- Continued settlement discussions with a JV partner after reaching general consensus on the historical financial activity;
- Revising the Receivership Estate cash flow budget following Lynd Development's failure to close the Project Charley purchase as planned;
- Providing information to insurance carriers and other service providers to support insurance premium returns;
- Supporting the home building operation including processing draw requests and paying subcontractors;
- 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;
- Planning terminations and establishing 1099 agreements for select personnel necessary to continue providing limited services to the Receiver;

- Providing information to support the Receivership's pending lawsuit against the Principals; and
- Terminating software contracts and planning for completion of Phase 1 of the receivership.

On October 23, 2024 Defendant Ryan Diepenbrock served a complaint on The Stapleton Group, both individually and in its capacity as Receiver alleging claims related to the commencement and management of the Receivership. The Receivership has retained defense counsel.

Other Receivership activity during October 2024 included, but was not limited to:

- Providing information to insurance carriers to support premium refunds;
- Continuing to uncover and analyze potential claims;
- Corresponding with insurance carrier regarding claim coverage;
- Pursuing claims against Principals;
- Preparing financial analysis of transactions related to Fixed Maintenance to support potential claims regarding that acquisition and termination of the Rule 11 agreement currently in place;
- Resolving negotiations with remaining lenders on remaining Texas single family projects to maximize returns to the Estate; and
- Supporting home sales efforts following home construction completion.

Little new information was received in October 2024 that would improve the overall recovery to the investors. One potential exception is assessing options related to the PSW Joint Venture investments, which the Receiver is either discussing or intends to discuss with the Joint Venture partners.

The Receiver determined that the material remaining sources of cash are limited to asset sales and pending and potential litigation claims against the former principals and their affiliates. 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 soon. Collection of tax credits, recoveries from some claims, and collection on various receivables could span several years.

The Receiver continues to operate under the assumption that the short-term vs. long-term asset monetization forecast requires the Receiver to focus immediate 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.

#### Operations

The Receivership operated with a small staff necessary to complete construction in process, 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, the Receiver terminated all remaining PSW employees as the company had minimal liquid assets available to meet payroll obligations. As cash flow was identified (including from the issuance of Receiver Certificates), certain Austin and Seattle employees were re-hired by the Receiver as necessary for the ongoing operations discussed in this Twelfth Report. The personnel in Seattle oversee projects in Seattle under construction managed by the Joint Venture. Compensation and benefits for the Receiver's personnel in Seattle are paid by the Joint Venture, not the Receivership Estate.

As communicated to the Court in previous reports, the Receiver is reducing and has reduced operating expenses to the extent possible.

Approximately six (6) people continue to provide services to the Receiver as of the date of this report. Employees were converted to a more cost-efficient payroll system to manage final payroll, retention payments, and 1099 payments. The Receiver previously implemented employee retention measures and will pay a limited number of employees a small retention bonus following the successful completion of their roles.

During October 2024, the Receiver continued to meet critical milestones in finishing homes under construction, building upon the momentum established in early 2024. The Receiver's primary focus was selling and delivering the remaining homes. The SRES Originations loan was fully paid off in July 2024, one of the remaining homes was delivered in October with the last remaining home to close the first week in November. Two (2) of the eight (8) Amegy Bank funded homes closed in October, with two (2) more contracted to close in November 2024. The remaining four (4) homes are actively listed for sale as they approach their completion date. A summary of the open contracts and listed homes 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. All eight (8) Amegy homes are completed pending a sale or scheduled closing date. The Receiver continued to reduce its operational focus to three major functions: (i) the settlement discussions with Joint Venture partners, (ii) home sales and closings, and (iii) analyzing potential litigation claims. Accounting, legal, and IT personnel continue to respond to regulatory agencies outside the normal course of business. In-house functions the Receiver has discontinued 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

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 retained the firm of Carrington Coleman to pursue specific claims that were already in process at the outset of the Receivership. The Receiver continues to employ Law Office of Matthew Welch due to his intimate knowledge of the Receivership Entities and specifically the JV agreements.

In an effort to avoid additional hourly legal fees, the Receiver has negotiated the retention of Bast Amron LLP as contingency counsel to pursue certain litigation claims (described below). The Receiver requested and received Court approval for this strategy.

### Litigation Claims.

The Receiver filed litigation against several former principals of PSW, i.e., the Principals. 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

The Receiver continues to maintain oversight and control of the Receivership Entities' funds. Through October 31, 2024, PSW issued Receiver's Certificates in the amount of \$2,595,156. Of those Receiver's Certificates issued, only \$1,069,970 comprised cash used to fund the Receivership. See **Exhibit 3**.

The Receiver has identified and filed claims against certain Receiver’s Certificate holders and intends to request permission from this Court to offset its claims against the those Receiver’s Certificate holders.

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

<u>Accounts</u>	<b>DRAFT</b>
CNB	\$ 593,773
JPM	51,191
Guaranty Bank	-
Misc. Banks	2,317
<b>Total</b>	<b>\$ 647,281</b>
<b>Cash Restrictions</b>	
Cash Restricted by Fixed Maintenance	(312,428)
<b>Total</b>	<b>\$ 334,854</b>

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

**B. Regulatory matters**

The Receiver has provided information to eight governmental authorities during the receivership: (i) the Federal Bureau of Investigation, (ii) the Texas Comptroller of Public Accounts, (iii) the Texas State Securities Board, (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 notes that the costs of preparing responses and providing access was significant, requiring legal and IT support. The Receiver completed the bulk of its regulatory tasks by the end of July 2024.

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

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 October 31, 2024, the Receiver had received 1,329 completed claim forms.

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 intends to establish a claims bar date by separate motion and approval from the Court.

### **D. Liquidating Assets**

To maximize returns to Stakeholders, the Receiver intends to market (or manage through collection) all remaining monetizable Receivership Assets as efficiently as possible.

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.

The Receiver 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.**

The Receiver's accounting team completed PSW's 2022 and 2023 financial statements, to the extent feasible, to support forensic accounting, ongoing litigation, discussions with JV partners, investment banking and claims processing initiatives. The Receiver determined that further efforts to complete 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 for tax years 2021 through 2024. During October 2024 the Receiver's accounting accomplished the following:

- General:
  - Released PSW's final W-2 employee, terminated benefits, and assisted employee benefit transitions
  - Transaction support
    - Completing homes/ sales
    - Supported Project Charley sale
  - Secured tax refunds from City of San Antonio
  - Responded to general liability insurance premium audit requests
  - Completed solvency analysis
  - Fixed collections totaling \$14.5k
  - Supported accounting for Joint Venture, prepared for negotiations for potential buyout of PSW's interests
  - Litigation support
    - General/corporate
    - Fixed/Ezell
- Project/Joint Venture:
  - Continued 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.

## **E. Forensic Accounting.**

As initially described to the Court, the Receiver paused the forensic accounting project. The Receiver believes additional forensic accounting efforts may not improve recovery to

Stakeholders and has slowed that effort substantially.

The goal of the forensic accounting project overview was to:

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

The initial forensic analysis was included in a separate report filed concurrently with a previous Receiver's report. The Receiver's forensic work performed to date indicates that PSW's principals breached operating agreements, provided preferential payments and treatment to some investors and lenders over others, filed inaccurate 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.

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 is being discussed with the Joint Venture partner.

During October 2024, the Receiver focused its forensic analysis on responses to inquiries from regulators and counsel. If additional analysis is needed to support a "money in/money out" analysis the Receiver will complete whatever is required to support the ultimate resolution of the Receivership Entities.

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

After liquidating the Receivership Assets, the Receiver intends to 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.

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. 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.

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

One of the difficulties in this analysis is the lack of corporate formalities between the Receivership Entities before the receivership, which failed to conform to even basic concepts of corporate separateness. Distributions were not made according to relevant governance agreements, equitably within classes, or in an otherwise financially reasonable manner. Equity adjustments involving various classes of stock may not prove to have economic substance or be supported by the appropriate corporate authority.

As a result, the Receiver does not intend to distribute proceeds from the sale of Receivership Assets upon closing, 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 will be proposed by motion to the Court for review and 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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*Attorneys for Receiver*

**CERTIFICATE OF SERVICE**

I hereby certify that, on December 5, 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/ Bradley J. Purcell*

*Attorney for Receiver*

# EXHIBIT 1

## Bank Account Balances

Bank Cash Balances Exhibit		DRAFT		Aug. 1st, 2023 Balance	Oct. 30th, 2024 Balance
<b>PSW Account Balances</b>					
<b>City National Bank</b>					
	CNB Receiver's Account		-		332,256
	CNB Fixed Maintenance Account		-		261,517
	<b>City National Bank Total Balance</b>		<u>\$ -</u>		<u>\$ 593,773</u>
<b>JP Morgan</b>					
	*9215 - Fixed Maintenance and Repair, LLC Account		12,373		49,369
	*6559 - PSW Homes LLC Account		18,675		280
	*6021 - PSW Real Estate, LLC Account		(22,031)		-
	*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		1,542
	<b>JP Morgan Total Balance</b>		<u>\$ 22,400</u>		<u>\$ 51,191</u>
<b>Guaranty Bank</b>					
	*6577 - PSW Real Estate, LLC *6577		(10)		-
	*9249 - Willa Comm SBC, LLC *9249		14,573		-
	<b>Guaranty Bank Total Balance</b>		<u>\$ 14,563</u>		<u>\$ -</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>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>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>\$ 647,281</u>



# EXHIBIT 2

## Cash Detail Schedule

PSW Real Estate LLC dba StoryBuilt								DRAFT	
Cash Activity from October 1, 2023 to October 31, 2024									
				Aug. 1, 2023 to July 31, 2024		Oct. 1, 2024 to Oct. 31, 2024		Total	
<b>Total PSW Bank Account Balances</b>				<b>\$ 39,471</b>				<b>\$ 39,471</b>	
Cash Receipts:									
Sale Proceeds				3,943,801 [1]		354,352 [6]		4,298,153	
Borrowed via Receivers Certificates				1,099,282		-		1,099,282	
Accounts Receivable Collections				669,548		4,725		674,273	
Loan from Investment Bank				250,000 [2]		-		250,000	
Rent Receipts				266,530		-		266,530	
Reimbursements & Other				171,310 [3]		51,693 [7]		223,002	
<b>Total Cash Receipts</b>				<b>\$ 6,400,471</b>		<b>\$ 410,770</b>		<b>\$ 6,811,241</b>	
Cash Payments:									
Professional fees				(3,072,267)		-		(3,072,267)	
Payroll & Benefits, net				(1,554,892)		(142,383)		(1,697,275)	
Insurance policies				(533,664)		-		(533,664)	
Investment Bank Fee				(133,750) [4]		-		(133,750)	
Software/Technology				(270,959)		(6,732)		(277,691)	
Misc Operating Expenses				(151,524)		(3,603)		(155,127)	
Property Maintenance & Taxes				(200,929)		(485)		(201,414)	
Account Foreclosure				(120,412) [5]		-		(120,412)	
Banking Fees				(11,170)		(661)		(11,831)	
<b>Total Cash Payments</b>				<b>\$ (6,049,566)</b>		<b>\$ (153,865)</b>		<b>\$ (6,203,431)</b>	
<b>Total PSW Bank Account Ending Balances</b>				<b>\$ 390,376</b>		<b>\$ 647,281</b>		<b>\$ 647,281</b>	
Cash Restricted by Fixed Maintenance				\$ -		\$ -		\$ (312,428) [8]	
<b>Total Available PSW Bank Account Ending Balances</b>				<b>\$ 390,376 [6]</b>		<b>\$ 647,281</b>		<b>\$ 334,853 [9]</b>	

[1] Sale proceeds from the sale of Assets during the Receivership

[2] Upon the transfer of the Ozzie property the Receiver repaid half of the loan from the Investment Bank.

[3] Includes misc refunds on deposits prior to the Receivership and reimbursements for property taxes paid on Texas Communities

[4] Fee paid to the Investment Bank for the sale of Goose Run per their agreement.

[5] Account balance turned over to the secured lender on Willa Commercial upon foreclosure.

[6] Proceeds from the sale of homes completed in Receivership

[7] Tax rebates to PSW Real Estate for projects completed.

[8] The Receiver was granted access to \$600,000 of Fixed Maintenance funds. Of the total \$312,428 Fixed cash included here all of it is restricted.

[9] Reference Bank Cash Balance Exhibit for a breakdown of balances by account

# 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, Jr.	09/01/2023	50,000	Deposit shown in the Receiver's account, Certificate issued.
Kim McAtee and Jamie McAtee, MD	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
Mark Ezell	04/23/2024	3,368	Payment of FM Corporate Card
Mark Ezell	05/23/2024	3,487	Payment of FM Corporate Card
Mark Ezell	05/23/2024	10,000	Settlement of FM Lawsuit
Mark Ezell	06/12/2024	3,335	Payment of FM Corporate Card
Mark Ezell	09/20/2024	10,223	Payment of FM Corporate Card
<b>Total</b>		<b>\$2,595,156</b>	
<b>Total to Fund the Receivership<sup>[1]</sup></b>		<b>\$1,069,970</b>	

[1] The amount of cash collected via Receiver's Certificates for the purpose of funding the Receivership.

# EXHIBIT 4

## Rule 11 Agreements

Rule 11 Agreements with: American Bank of Commerce ("ABC")	Filed: 8/18/2023
First United Bank & Trust Co. ("FUB")	8/28/2023
CrossFirst Bank	8/30/2023
Susser Bank	8/31/2023
Guaranty Bank	9/14/2023
FIRST Insurance Funding, a Division of Lake Forest Bank & Trust Company, N.A.	9/15/2023
Dallas Capital Bank, N.A.	9/26/2023
Moody National Bank	9/27/2023
Sterling Equities, Inc.	9/29/2023
American Bank of Commerce	10/2/2023
Dallas Capital Bank, N.A.	10/3/2023
Mark Ezell and Defendant	10/10/2023
SRES Originations, LLC and Trustee Todd Etter	10/11/2023
American Bank of Commerce	11/3/2023

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# EXHIBIT 5

## Homebuyer Contracts

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

# EXHIBIT 6

Excerpts from Principal Prepared “New Balance Sheet” as of July 2023

<b>STORYBUILT (PSW REAL ESTATE, LLC and STORYBUILT, LLC)</b>		
Balance Sheets		
June 30, 2023 Estimates		
	Proforma w/ JV Adjusts	
	<b>Storybuilt</b>	<b>PSW Real Estate</b>
	July 2023	July 2023
<b>ASSETS</b>		
Cash and cash equivalents	2,000,010	11,413,844
Accounts Receivable, net	4,430,990	240,902
Real estate held as land	-	10,696,971
Real estate held for development	-	69,461,147
Real estate held for sale	-	29,740,215
Equity Investments - inside basis	808,679	14,073,786
Equity Investments - outside basis	-	2,000,000
Property and Equipment, net	1,363,733	36,920,250
Goodwill, net	4,854,716	-
<b>TOTAL ASSETS</b>	<b>13,458,129</b>	<b>174,547,115</b>
<b>LIABILITIES AND CAPITAL</b>		
Accounts Payable	2,390,550	5,026,814
Accrued Expenses	1,800,000	1,000,000
Other Deferred Revenue	34,459	-
Contract Liabilities	4,500	1,450,534
Loans Payable	5,511,782	62,185,557
<b>TOTAL LIABILITIES</b>	<b>9,741,290</b>	<b>69,662,904</b>
<b>Liquidity/Current Net</b>	<b>(3,271,332)</b>	<b>5,627,932</b>
<b>+ Tax Refund and Homebase upcoming</b>	<b>5,700,000</b>	<b>-</b>
<b>TOTAL CAPITAL</b>	<b>3,716,838</b>	<b>104,884,210</b>
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>13,458,129</b>	<b>174,547,115</b>
Convertible Notes	-	30,000,000
Revenue Share Capital	-	12,300,000
Project Capital - Preferred LP's	-	34,915,000
Land - Preferred LP's	-	3,880,000
Shareholder, net equity	3,716,838	23,789,210
<b>Total Capital</b>	<b>3,716,838</b>	<b>104,884,210</b>

# EXHIBIT 7

## Charley Project

### Issues uncovered during Receivership

- SB Webberville, LLC borrowed \$110,000 on June 9, 2023 which was in default by August 9, 2023 in order to pay a possible lender for its due diligence. That loan never funded.
  - Terms included an option to buy a home at a \$285,000 discount, with liquidated damages of \$300,000 defined if the terms are defaulted.
  - 24% default rate
  - The Receiver is unaware if this obligation was disclosed to Project Charley's preferred member, and also eventually Project Charley's secured lender.
- Revenue Sharing Agreements; Investor/Debt matters
  - Project Charley Revenue Sharing Agreement ("RSA") participants are unsecured creditors. The RSA holders' payout would be triggered by SB Charley, LLC selling "finished lots".
  - The Receiver was advised by PSW in-house counsel that the RSA issuing entity did not own the Project Charley property at the time the RSAs were issued (nor was the property transferred to that entity) and they did not own any part of the SB Charley, LLC entity.
  - Effectively, RSA holders had a contractual right to a portion of SB Charley, LLC sales proceeds from a property that SB Charley, LLC never owned and never will own.
  - The Principals had signed an agreement that allowed the preferred member, which owned an 87% interest, effective veto power over major decisions regarding the project.
  - Facing imminent foreclosure, the preferred member acquired a secured note from a lender which placed the preferred member in a priority secured debt position in addition to the leverage already provided in the operating agreement.
- Accounting
  - There was little or no accounting distinction between SB Webberville Road, LLC (the current owner and JV partner with Ovation) and SB Charley, LLC
- Operations
  - PSW Real Estate, LLC is the sole member of PSW Webberville, LLC. SB Charley, LLC was expected to take the RSA proceeds and predevelopment financing to do the horizontal development then sell the horizontally "finished lots" to another entity for vertical construction, and which juncture the RSA Participants would have been paid off from those finished lot proceeds.
  - The land was never acquired by SB Charley, LLC and no obligation to the Project Charley RSA holders ever triggered, nor can it be triggered at this point. The Project Charley participants' rights to proceeds had not ripened when the Receivership began.

# EXHIBIT 8

## Ravenna / Dayton Projects

DRAFT

# Ravenna Project Analysis



Limited Partner Investment	\$3,200,000
Limited Partner Return	\$4,309,644
Return on Investment	35%
Ravenna Project Loss	\$4,591,291
StoryBuilt Loss after Distribution	\$5,700,935

Project Revenue	
Gross Revenue	\$19,862,910
Cost of Sales	(\$749,607)
Taxes/Licenses	(\$51,171)
Advertising/Marketing	(\$8,815)
Wages	(\$4,840)
Other Expenses	(\$987)
Professional Services	(\$879)
SG&A	(\$767)
Office Expense	(\$375)
Travel/Meals/Fun	(\$286)
<b>Sales Revenue</b>	<b>\$19,044,594</b>

Project Expenses	
Hard Costs	(\$10,694,003)
Land / Asset Cost	(\$5,420,104)
Interest	(\$2,386,963)
Soft Costs	(\$1,875,597)
StoryBuilt Overhead	(\$1,458,180)
Financing Costs	(\$787,935)
Land Commissions	(\$544,607)
Land Closing Costs	(\$468,866)
<b>Total Project Expenses</b>	<b>(\$23,638,270)</b>

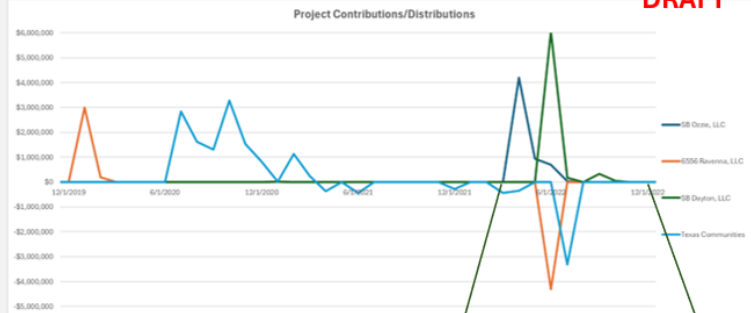
**Project Gain/(Loss) (\$4,591,291)**

\*Draft created from historical financial records, this analysis is subject to change.

## Capital Distribution Timing

### Summary

- StoryBuilt Paid Ravenna Limited Partners \$4.3M from the StoryBuilt Corporate Account after only receiving \$3.5M in proceeds, which remained in Ravenna's account until the end of July 2022
- The only money in the account that could cover the full Ravenna distribution was newly invested capital from Dayton
- StoryBuilt did not receive the remaining proceeds to cover the \$4.2M distribution until December 2022
- The Ravenna project cost \$4.6M more to develop than it sold for, which was a direct loss to StoryBuilt's equity contribution. StoryBuilt still paid \$4.3M to LP Investors which ultimately resulted in an \$5.7M loss to StoryBuilt



### StoryBuilt Corporate Account (6021)

Dates	Action
6/16/2022	-Corporate Account Ending Balance of \$3,555,843
6/17/2022 - 6/30/2022	-Dayton Capital Contributions of \$6,050,000
6/23/2022 - 6/30/2022	-Distribute \$4,309,644 to Ravenna Limited Partners from Corporate Accounts
6/30/2022	-Only expenses paid on Dayton in June 2022, \$741 in Legal Fees
6/30/2022	-Corporate Account Ending Balance of \$1,955,231

Dates	Action
6/15/2022 - 6/23/2022	-Receive \$3,668,973 in Sales Proceeds to Ravenna Account
6/23/2022 - 6/30/2022	-Distribute \$4,309,644 to Ravenna Limited Partners from Corporate Accounts
7/09/2022 - 7/29/2022	-Transfer Ravenna Sales Proceeds to Corporate Accounts
12/1/2022 - 12/30/2022	-Receive \$2,286,593.91 in Sales Proceeds to Ravenna Account

\*Draft created from historical financial records, this analysis is subject to change.