

STACY R. SCHIFFMAN, ADELAIDA MARTINEZ, WILLIAM D. AND SUSAN M. MADDEN, A.H. ROOT BUILDING, LLC, RYAN AND LISSA ONG LIVING TRUST, BLACK TORTUGA GROUP, LLC, ALLA INVESTMENTS, LLC, 2M & 3D LTD., TEXAS LIMITED PARTNERSHIP, BUTT RENTALS, LLC, HUGH G. DYKES III, TRUSTEE OF THE DYKES FAMILY REVOCABLE TRUST DATED JULY 7, 2004, SYDNEY CRISP AND NICOLA CRISP, DANIEL M. BELL, WILLIAM SMITH, PAUL TESSIER, CO-TRUSTEE, ANNE T. TESSIER FAMILY TRUST, DONNA DEKKER, TRUSTEE OF THE DEKKER-ROBERTSON FAMILY TRUST, AND HARRY V. AND JOANNE P. HANSEN, TRUSTEES OF THE HANSEN FAMILY TRUST, LAWRENCE K. SAMUELS AND JANE HEIDER, TRUSTEES OF THE HEIDER SAMUELS FAMILY TRUST DATED JUNE 29, 2007, AND JOHN C. POLK AND JANICE C. POLK, INDIVIDUALLY AND DERIVATIVELY ON BEHALF OF NP SKY LOFT DST, LLC, A DELAWARE STATUTORY TRUST AND JAMES PARZIALE DERIVATIVELY ON BEHALF OF NP SKY LOFT DST, LLC, A DELAWARE STATUTORY TRUST,

Plaintiffs,

Vs.

NELSON PARTNERS, LLC, NELSON BROTHERS PROPERTY MANAGEMENT, INC. D/B/A NELSON PARTNERS PROPERTY MANAGEMENT, INC., AND PATRICK NELSON,

Defendants

IN THE DISTRICT COURT OF

TRAVIS COUNTY, TEXAS

98th JUDICIAL DISTRICT

**NELSON PARTIES' SEVENTH REPORT TO THE COURT
PURSUANT TO JOINT STIPULATION AND LIQUIDATION PLAN**

Nelson Partners, LLC, Nelson Brothers Property Management, Inc. d/b/a Nelson Partners Property Management, Inc. and Patrick Nelson (collectively, the "Nelson Parties" or "Defendants") file this Seventh Report to the Court Pursuant to the Joint Stipulation and Liquidation Plan ("Plan") as follows:

1. On April 25, 2022, the Court approved the Plan. The Plan required the Nelson Parties to prepare and submit a monthly report to the court advising of the status and progress the Nelson Parties are making toward fulfilling their obligations under the Plan.

2. Since the Court's approval, the Nelson Parties engaged a nationally recognized broker and identified several properties for sale. The broker is currently marketing a portion of the properties. Through the Nelson Parties' and their brokers' joint efforts, the Nelson Parties, through an affiliated entity under their control, signed and entered into a letter of intent ("LOI") regarding one of the properties and advised the Plan Administrator regarding the executed LOI. The Nelson Parties and their broker continue to market other properties while they negotiated the specific terms to advance the LOI to an executed and enforceable purchase and sale agreement ("Property 1").

3. Through their counsel, on May 19, 2022, the Nelson Parties met with the Plan Administrator's counsel and Investors' counsel by phone. During the call, the Nelson Parties' counsel outlined the current strategies for the Nelson Parties to fulfill their obligations under the Plan and advised the Plan administrator of the LOI and the then status of negotiations regarding the purchase and sale agreement arising from the LOI.

4. On June 17, 2022, the Nelson Parties reached an agreement on the sale of Property 1, one of the properties identified as part of the Plan. The Contract of Sale ("COS") was effective June 17, 2022 and had an initial closing date of September 15, 2022. The Nelson Parties advised the Plan Administrator of the COS.

5. Soon after executing the COS, the Nelson Parties, through an affiliated entity under their control, signed and entered into another LOI on an additional property (“Property 2”) identified as part of the Liquidation Plan. The Parties to that LOI began preparing purchase agreement drafts.

6. Additionally, the Nelson Parties, through affiliated entities under their control, have begun a bid process on some additional properties identified under the Liquidation Plan. While the recent debt markets slowed interest, the Nelson Parties believe they will secure additional LOIs soon.

7. The Nelson Parties continue directing all investor inquiries they receive to the Plan Administrator.

8. On July 21, 2022, the Court held a hearing regarding the Plan and granted final approval of same.

9. Days before the July 21, 2022 hearing, the COS for Property 1 was terminated by the buyer. The COS for Property 1 was subsequently reinstated. On October 11, 2022, counsel for the Nelson Parties met with the Plan Administrator via telephone and advised the Plan Administrator that the sale of Property 1 was moving forward, but a closing date was still not set because the purchaser of Property 1 required a number of conditions to close. Without any advance notice, on October 21, 2022 at around 12:00pm central time, the Buyer for property 1 abruptly waived all remaining closing conditions and insisted upon quickly closing the sale on or around October 21, 2022. Counsel for the Nelson Parties conferred with the Plan Administrator and Plaintiffs’ counsel regarding this development, provided them with a copy of the draft settlement statement for the transaction, and appeared before this Court to obtain emergency relief.

10. The sale of Property 1 closed on October 24, 2022. The Final Settlement Statement was generated on October 25, 2022 and provided to the Plan Administrator and Plaintiffs' counsel on October 27, 2022.

11. The sale of Property 1 generated Net Proceeds of \$9.3 million which were deposited into the Plan Administrator's designated escrow account per the Plan Administrator's instructions.

12. The proposed purchaser under the LOI for Property 2 could not agree with the owner of Property 2 and that proposed deal was terminated effective October 7, 2022.

13. On November 17, 2022, Plan Administrator filed a Motion for a Temporary Restraining Order and Expedited Discovery seeking financial documents and depositions regarding the Property 1 sale. The Court granted the opposed Motion. Despite Nelson Parties' efforts to provide the requested information, Plan Administrator filed and ultimately prevailed on an opposed Motion to Compel on such discovery. The deposition of various Nelson Parties occurred in late December 2022. Extensive financial documents were produced to the Plan Administrator in connection with his discovery request. By agreement, the applicable Temporary Restraining Order ("TRO") was extended numerous times.

14. On November 14, 2022, Plan Administrator filed a Motion for Contempt, Sanctions, and to Show Cause challenging the distribution of funds following the sale of Property 1. The Nelson Parties opposed the Motion but the Court entered an order setting the Show Cause Hearing. On several occasions, the Show Cause Hearing was moved either by the Court or by Agreement of the parties. On December 19, 2022, the Parties entered into a Rule 11 Agreement moving the Show Cause Hearing, causing Plan Administrator to drop its criminal contempt allegations and, among other things, obligating Nelson Parties to provide verified financial statements to the Plan Administrator by January 15, 2023. Despite Nelson Parties' efforts to

provide such documents, Plan Administrator again set and re-set the Show Cause Hearing. On February 24, 2023, the Parties reached an Agreed Order concerning the Plan Administrator's Motion for Contempt and Sanctions, Application for Temporary Injunction, and Nelson Parties' Objection to Plan Administrator's Legal Fees and Expenses ("Agreed Order").

15. Under the Agreed Order, the Parties agreed to have appointed a Chief Strategy Officer ("CSO") as an officer of certain Nelson Party entities for the purpose of, among other things, preparing a proposed amended Liquidation Plan. On March 16, 2023 Bradley D. Sharp of Development Specialists, Inc. was appointed as the CSO. At present, Nelson Parties are working with Mr. Sharp pursuant to the Agreed Order.

16. The Agreed Order further waived all objections previously lodged against the Plan Administrator's fees and extended the applicable TRO through March 8, 2023. Additionally, under the Agreed Order, Nelson Parties agreed to provide schedules of assets, liabilities, statement of financial affairs, and such other documents by April 10, 2023. However, despite Nelson Parties' best efforts to adhere to the Agreed Order, the Plan Administrator again set the Show Cause hearing for June 20, 2023.

17. On February 24, 2023, the Court signed the second supplemental order regarding the Plan Administrator's powers and authority as to subpoena powers, discovery to parties and third-parties, and assertion of claims, among other things.

18. On April 17, 2023, the Court granted Fitz Byrne PLLC's Motion to Withdraw as counsel for the Nelson Parties, effective as of that date. The Court also granted Munsch Hardt Kopf & Harr, P.C.'s Motion to Withdraw to be effective May 31, 2023.

19. The Nelson Parties, and through affiliated entities, continue to work toward fulfilling their obligations under the Plan and Agreed Order.

Dated: May 10, 2023

MUNSCH HARDT KOPF & HARR, P.C.

By: /s/ Greg C. Noschese

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ATTORNEYS FOR DEFENDANTS

CERTIFICATE OF SERVICE

The undersigned certifies that, on May 10, 2023, a true and correct copy of this document was served via the court's electronic filing system, on all counsel of record.

By: /s/ Greg C. Noschese

Greg C. Noschese