

Anna Phillips:

Good afternoon, investors, and welcome to this webinar. My name is Anna Phillips, and we're going to get into the presentation momentarily. But first, I want to address a couple of housekeeping items.

This presentation is for investors in either or both of ONH 1601 CS Investors, LLC, and, or ONH AFC CS Investors, LLC. During this presentation, I'm going to refer to them as 1601 and AFC or Atlanta Financial Center, respectively. If you know someone who missed today, or you need to leave early, or you've struggled with my accent, we're recording this presentation and we're going to post a link to the CrowdStreet Investor Portal and push a link out to you in a communication. And there will also be a transcript available of the presentation.

Going forward, you can use the CrowdStreet platform to ask a question. There's an Ask A Question button. And that gets directly to me and my team. And I'll explain who they are in a little bit. So, I want to thank everyone also for taking the time to submit questions, very detailed and very thoughtful...

Look, we want this webinar to be useful to you and to the extent that we're able, I'm going to answer as many of those questions today as I can. You can still submit questions during the course of this webinar, and to the extent that time allows and I have the information, I will try and respond. Please be patient though I don't necessarily have all the answers to the questions at this point in time, and I'll explain what we're doing about that. Going forward, I'm going to host monthly webinars to communicate with you. So to the extent that there is time sensitive information and developments in between time, I will push those out to you in written communications through the CrowdStreet portal. But to enable a more free exchange of information and frankly, to give you a forum to get questions answered and have a dialogue, I'm going to set up these webinars going forward.

So again, there'll be more information on that as we progress. So let me go and give a little bit of background first before I explain to you the situation. So CrowdStreet informed me that they requested Nightingale change out the management of both of the LLCs due to a lack of timely communication and non-responsiveness of questions that they were asking of the management. So I was appointed sole manager of both LLCs on June the sixth, and at the same time, Mr. Schwartz resigned from his role as sole manager. My background is that I have over 35 years in accounting and finance.

So I completed FINRA certifications and am experienced in financial investigations. So in my role, I am a fiduciary to all of the company's stakeholders, including the investors, which means that I'm entrusted to act on your behalf and more importantly, to act in your best interests. I answer solely to you, the investors, and any other creditors. And I want to assure you that I'm independent. I know that there's been questions raised. I have and had absolutely no prior or existing relationship with any of CrowdStreet, Nightingale or Mr. Schwartz, and I want to stress that because it's extremely important.

Okay, the bottom line is that the money that was raised by both entities has been misappropriated. There is a de minimis amount of investor money sitting in the bank accounts for AFC. It's about \$125 grand for the Miami property. It's about one and a half grand (\$1.5K). So my role by definition has shifted to a focus on recovery and more importantly, the immediate pursuit information to enable me to successfully recover and return your investment. So to that end, both entities filed for Chapter 11 this morning in Delaware, and I'm going to explain to you a little bit later why we did that and what it means for you because it was an extremely important step to try and get your money back. Based on what we know today, the entities both have a few very small creditors that is non-equity holders, so you, the investors known as the equity holders are the constituency that I'm focused on getting a return to.

Okay, so let me talk about what's been happening to date in sort of the five or six weeks since I was appointed. The first thing I did was to retain counsel, and to that end, I retained Baker Hostetler. This is

the law firm in case you're not familiar with them, they're one of the preeminent financial and fraud investigator firms in the US and the trustee, Irving Picard of the Bernie Madoff related fraud. It's part of this firm. So they have enormous and really deep expertise in overseeing investigations and litigation around the theft of investor funds and misappropriation of investor funds. I've also retained B Riley advisory services who are also very experienced in fraud investigations as my financial advisor and specifically Eric Lee will head that team.

He's a former federal agent who worked extensively alongside the FBI and has extensive experience in investigating financial crimes. I want to stress as well that none of my advisors, so neither of those two firms have done any work in the past for CrowdStreet, Nightingale or Mr. Schwartz. So they're completely independent and answer only to the two investor entities where they're advising. We've also held numerous meetings with CrowdStreet and we've met and had numerous calls with counsel for Mr. Schwartz. We have not been able to connect directly with Mr. Schwartz at this time.

CrowdStreet, some of you have asked about CrowdStreet. They've provided us with complete access to the investor console and the associated investor records. Basically, they've given us the ability to quickly and timely communicate with you investors through the communication platform and have set up the functionality to be able to have you pose questions that come directly to my team.

And again, I'm going to keep pointing you to the Ask a Question button on your investor console. And importantly, they have provided funding to actually get us to bankruptcy and to progress the bankruptcy investigation. And I'm going to talk about the sort of the recovery process that we'll be undertaking the Chapter 11 in a minute.

We've been trying very hard to obtain more information and to date, all we have is some bank reporting and I'm missing some bank reporting. We don't even have all of it yet. So there's much more needed, not the least of which are the books and records of the company. So the importance of a Chapter 11 is that we're going to be using the additional tools that a Chapter 11 provides us with to try and create some urgency on the part of Mr. Schwartz and or Nightingale to get us more information to complete the picture of what happened and more importantly, where the funds went.

So I want to turn now to what we do know and what we've been able to observe just on a preliminary basis from the bank records. So turning first of all to 1601, the Miami property, and again, this is based on what we know today, it can change. Some of it's been represented to us in dialogue with counsel, so bear with me. But for 1601, the capital raising process raised around about \$9 million from 167 investors through CrowdStreet from November 2022 to March 2023. We don't believe any ownership interest in the property was ever received. The transaction never closed. What we think is that around \$3.75 million was transferred to third parties and the balance of the money appears to have been transferred to affiliates of Mr. Schwartz. We don't know if there were any investor refunds given and we're diligencing that further. From a timing perspective, the first investor deposits occurred in mid-November and transfers out of the account started shortly after the account opened. Transfers out of the account occurred regularly and were directly in contravention of the agreement with CrowdStreet.

Turning now to the Atlanta Financial Center, approximately \$54 million was raised from 654 investors through CrowdStreet from June 2022 through until February 2023. It looks like some investor funds were repaid something around \$8 million to \$9 million, we think, we're working to clarify the exact

amount. And approximately \$8 million of those funds were transferred to third parties. And the balance of the funds appears to have been transferred to what have been represented to us to have been Mr. Schwartz directly or other affiliates related to Mr. Schwartz. Obviously, the AFC LLC never closed on the purchase of the property.

Timing wise, nearly \$20 million was actually raised in the first four days and very shortly after millions were transferred to what we believe to be affiliates of Mr. Schwartz. Again, these transfers and all subsequent transfers were at a minimum directly in contravention with the agreement with CrowdStreet.

Okay, so given that backdrop, I want to talk now a little bit about the Chapter 11 filing. So as you know, both of the companies filed for Chapter 11 today in Delaware, and I want to talk a little bit about what to expect from the Chapter 11. The Chapter 11 provides, first of all, a unified cost-effective and coordinated process for the benefit of all investors. It provides increased powers to investigate. The bankruptcy court allows us to more aggressively go in and get information more timely and to pursue recoveries.

Chapter 11 is very collective and a public process intended to treat everyone equally. We have appointed, as part of the Chapter 11 process, a firm called Epiq, E-P-I-Q. Our follow-up email from this webinar is going to include a link to an Epiq web address. What Epiq do will track the filings with the court in the Chapter 11. What you can do is click on those links and actually read the filings in the Chapter 11. I encourage you to do so. It's an extremely public process and there's a lot of information that is placed on the public record in the Chapter 11 filing. Now, the bankruptcy at the moment is being funded by CrowdStreet. There is no money in the estate. The bankruptcy court will have to approve the terms on which CrowdStreet provided that funding or anyone else who provides funding in the Chapter 11. I want to be very clear in relation to questions around CrowdStreet. In exchange for that funding, CrowdStreet did not ask for, and we did not give, any waiver of any potential claims against CrowdStreet.

Obviously, immediately in the Chapter 11, we're going to be working to ask the court to assist us in our ongoing investigations. You'll start to see some filings on the record to support that. As soon as we can, I'm going to be proposing to the judge the formation of a litigation trust to take over the work being done in the Chapter 11 to cost effectively continue the investigations, which will be well underway in the course of the Chapter 11, and prosecute claims identified, and eventually to distribute funds recovered from those claims to investors. When the funds are recovered, they are going to be divided equally between investors in each entity. Excuse me.

Alrighty. I want to stop here, though, and really sound a word of caution. This recovery process will take time. It is going to be slower and more complicated than any of us would like. I really want prepare you for that. It's going to be a source of frustration for me and for you. Counsel for Mr. Schwartz says his client intends to present a proposal to repay investors over time. We have not yet seen any such proposal. Even if he presents a proposal of that nature, we have to investigate it to make sure that it makes sense, is fair and appropriate, and compared to what other sources of funding may be available and what other courses of actions investors could take to recover money from Mr. Schwartz and any related affiliates. We will be investigating claims against all other parties involved in the transactions.

Whatever happens, we are going to have to investigate to prove wrongdoing in case a settlement is not achieved. We'll be working very hard on your behalf to do that during the course of the Chapter 11. But positioning the investors for the best possible return will take further investigation and negotiations

with all the parties involved. But I want to be very clear. Based on what I know today, I do think there are very colorable claims that are capable of being successfully pursued against third parties and Mr. Schwartz and related entities.

I'm going to pause there. I'm going to now address some of the questions that have come in prior and also during the presentation to see if there's anything else I can address. Okay, let's see. All right.

First question. Isn't this just fraud? That's a great question. Money was clearly misappropriated and there are certainly plenty of red flags that are indicators of fraud, but I need more facts and would like to talk to Mr. Schwartz before I can confidently label it as fraud and pursue it in the court.

Okay, next question. Did CrowdStreet invest? We were informed by CrowdStreet that they're both a creditor and also an investor. They did not receive any deal fees in relation to either deal. Some funds for which CrowdStreet as a fiduciary we are told invested at approximately \$5.3 million and several CrowdStreet personnel also invested, we're told, in their individual capacity in these deals. Based on what we've seen to date and has been represented to us by CrowdStreet, they did not receive any funds from the accounts by way of refunds or any fees paid.

Okay. Next question. What is CrowdStreet doing? Okay, here is what I'm aware of. CrowdStreet initiated the dialogue to change out the manager. I can say they are being fully cooperative with me and are providing funding for this Chapter 11 process and have told me that their cooperation will continue. They're providing the infrastructure for communications and data but no one, including CrowdStreet, is going to be immune from investigation and no waiver of any kind was given in exchange for the funding we were able to use to file these entities for Chapter 11.

Okay, next question. Has the SEC been notified? Yes. The SEC has been notified and they are aware of the filing for Chapter 11.

Okay, next question. Will the SEC or another government entity act? Okay. When you deal with government entities in these situations, they don't tell us in advance what they're going to do. What I can say is that they appear to be following the situation extremely closely and you'll find out when we do what actions they choose to take.

Okay. Next question. Was any AFC or 1801 money paid to or used for the benefit of any other Nightingale properties, specifically 200 West Jackson? We don't know yet. We will be investigating that, obviously, as we get better records. But we don't know yet to the extent that there was mingling between the different Nightingale accounts.

Okay. What are the tax consequences for investors? Okay. Many are asking about ... Okay, K1s. All right, look, we're going to have to look into the tax consequences here. That will be the subject of a separate communication down the track. I don't have the answer for that today.

Okay, next question. Will all investors be treated equally? Yes. Under the bankruptcy code, we're required to treat investors, similarly situated stakeholders, equally. What that means is that what we'd envisage today is that all investors are similarly situated stakeholders, with the exception of Mr. Schwartz. If he was an investor, we would not put him in a similar class to all of the third party investors.

But the short answer is yes. All of you on the phone today and on this webinar are going to be treated equally.

Okay. Next question. Will refunds paid to investors, okay, be fully clawed back so that the net cash return to investors are all the same? Okay. It's too early to say. I think at the moment, all I can say on that is that we're going to look at every possible area for recoveries. Recoveries are going to then be shared equally between investors. Okay. All right.

Okay, so this is an earlier question. In your letter to investors, you referred to representing the company and the investors, can you bring some clarity as to who the company is? Right. The company refers to the investing entity, either the AFC entity or the 1601 entity. They are the two companies that I'm manager of and who I answer to.

Okay. Next question. What content in the original investor agreement led Nightingale to conclude they can direct investments intended for the proposed AFC to anything but the stated purpose of the agreement? Well, you'd need to ask Nightingale, but I do not believe that such language exists in the agreement.

Okay. What will be the next steps for investors to receive our investment? Okay. There are going to be two paths. I think there's two ways that a recovery will be achieved here. It may be they're not mutually exclusive, that it may be a bit of both. One of those will be a negotiated settlement with various parties. We go ahead and we work out who are going to have a claim against and then we try and negotiate a settlement, an appropriate settlement. I will tell you, for me, that's a far preferable outcome because it's generally faster and I have to spend a whole lot less money on attorneys to get there. Okay? It's not always possible, and it may be that those parties offer up a settlement that, frankly, we think is insufficient, in which case the other path is going to be litigation.

Now the problem with litigation is it's slow and it's expensive. Okay? So they're the two parts basically. A negotiated settlement and litigation and maybe some of both. But during the Chapter 11, we're going to be working very hard to go ahead and investigate all of the claims out there and where we can get the money back. And then we're going to reach out, we're going to make a decision on what we need to do and how best to get that money back. But as investors, you don't need to do anything at the moment. Okay? We are going to reach out to you further into the Chapter 11 because what we're going to want to do is to confirm the amount that you have invested and Crowd Street have shared the information that they have in relation to what investors are owed. We're going to seek to confirm that with each investor, but there's nothing you need to do at the moment.

Next question. Can you confirm to me and all investors that Crowd Street was in fact invested in the AFC property and they did not receive any of their invested capital?

Crowd Street did not receive any repayments. Their funds were invested as I explained earlier, and they did not get a repayment or a refund. All right. It's a good question.

What is the likelihood we're going to see any of this money returned? It is just too early to know. Okay? So I'm still trying to get a full picture of where all of the money went. Once we have that, we are then going to look at the ability of those parties to go ahead and repay the money either through litigation or through a settlement. So we've got to identify where the claims are and then work out the most cost effective way to try and recover from those entities. And time effective, because obviously litigation

suboptimal to the extent it takes a long time to achieve the outcome, we need to get the money back to you. Okay, I think we've had some more questions come in. Just go to a different screen here.

Alrighty. Okay. Next question. Did the sponsor contribute it's capital commitment? It was junior to Crowd Street investors in distribution, so effectively the losses would hit their capital first. So important to enforce their contribution if not fully paid.

So we're not aware of any capital transactions or contributions that the sponsor made at this time, but I can assure you, we will be pursuing all claims very vigorously.

Please reiterate who exactly filed for bankruptcy. It's not the Nightingale entities, it's the two investing entities, okay? They are the entities in which your monies are invested.

Does BakerHostetler, represent us as investors? Yes. Well, Baker represents both companies, but that in term benefits all stakeholders, including investors. So the technical answer to that is that BakerHostetler, represents the company, but in doing so, they represent your interests as investors.

What is the difference between misappropriation of funds versus outright theft? The investigation is going to address that. So we are going to look at where funds went, were they related to the properties? What benefit did the companies receive for those funds?

Now I'm just going to check in to see if there's any other questions at this time. Let's see. No, I can't see any. Okay, good. All right, well look, I appreciate everyone's attentions today. The next monthly webinar is going to be Friday, August 11 at one o'clock eastern, so the same time as today in four weeks time, and we're going to send you a link that will be uploaded to enable you to register. And I apologize, last time we had a few snafus with the link and I promise you we've got them fixed for this time and I encourage you to be on the webinar.

If any important time-sensitive developments happen in the meantime, we're going to push those out to you via your investor portal. In the meantime, please do continue to send in your questions on the Ask A Question button on your investor portal. They do come directly to me, to people at B Riley and people at BakerHostetler. So we receive them and where necessary we can address them on these webinars, we can push out communications. Don't be bashful. If it's a question for you, it's likely a question that many investors have, and we are committed to getting information out to you on a timely basis, useful information.

Now, in the meantime, you can follow the Chapter 11 and I encourage you to do so on the Epic website link that we're going to push out to you after this call. The Chapter 11 process is highly public and I encourage you to click on the links and read the actual filings, okay? It'll give you a lot of background information and more importantly, you are going to get real time information at the same time as the bankruptcy court on what I'm doing and where we're going. Not everything is public. There's a lot of things happen that don't hit the docket. We are working very hard on your behalf, but the Chapter 11 actually provides a great forum to really be sharing progress on a lot of fronts.

So I want to stress again, we're working on your behalf, but this is going to be a slow process and slower than we would all like. You don't need to do anything now. We're going to communicate with you and we are committed to frequent and timely communication. But I want to assure you in the meantime that we are working on your behalf. We'll have another webcast, send your questions in the meantime and follow the Chapter 11 on the court's website.

So thank you very much for your time and attention today. I'm sorry it was in these circumstances, but I want you to be assured that we are working on getting your money back and that is what is important here. Thank you very much.