

CASE STUDY #2

The Cash Call Conundrum

An Unexpected Turn

The Transparency Files

Case #266

Name: Dovid Katz* and Eli Greenberg*

Age: 46

Children: Dovid K: 8, Eli Greenberg: 5

Occupation: Dovid K:

Construction Firm and Eli G.: Clothing Store

Investment Type: Multi-family in
North Carolina

Money Invested: \$2MM

Source of Investment: Equity Broker

Time frame before Investment Deteriorated:
2 years

Money Lost: \$2MM

"Ah...that was good." I closed my Gemara thoughtfully.

Eli took a sip from his coffee and nodded. "We're still three *blatt* behind, but *l'maaseh*, *Tosfos* asked my *kasha* and that's pretty cool."

"See you tomorrow, same time." I grab my Gemara and car keys from the table.

"Wait," Eli says, "Did I tell you about the Sam Fleischman deal?"

I cock my head. "Tell me more."

"A multi-family in North Carolina. Big stuff. High returns. Sam Fleischman has *mazel*, whatever he touches turns to gold. I'm thinking of putting in a million."

"Wow," I whistle. "That much?"

Eli shrugs. "What's the point in the money just sitting? It might as well be working for me. And we all know that real estate's the place. I'm hearing really solid stuff about it, I'm excited. Over seventy-five units, each rented out for \$2,500 an apartment. It's a growing city, and there's a huge demand. Hey, maybe you wanna join? It's a really good opportunity."

I clip my keys onto my belt. "You know I'm not into taking risks..."

"This is *not* a risk. Okay, I'll admit, all investments are risks. But Fleischman has the goods. If you're gonna invest, go with him."

"I'm going to work, I have like sixty-five unread messages... but let's talk later. Maybe."

Eli and I have been inseparable since we were *chavrusas* in ninth grade. It's now twenty-one years and count-

ing, and we still start our workdays learning at six am every morning. After that, I head to my office where I run a construction firm and Eli to his clothing store.

After some back and forth with Sam Fleischman's agent, I was in. Eli and I were investing together—each of us was putting one million dollars into the deal. I usually tend to be more cautious, but Eli hand-held me through the process until I was confident and actually excited to be part of this opportunity. We were explained the virtues of the multi-family in North Carolina—its location, the income potential, the ROI (return of investment), and economic trends. We went through the details together thoroughly; we are both seasoned businessmen and were happy with what we saw. This deal looked like it had excellent potential for growth.

For the first two years, everything went smoothly. We received steady monthly payments that suggested the property was thriving, and the monthly and quarterly updates were all very positive. And then, out of nowhere, we were hit with alarming news. An urgent email from Mr. Fleishman landed in our inboxes with a thud, demanding an additional \$200,000 from each of us. Without this extra capital, our shares in the property would be diluted down to a mere 20%.

Eli was beside himself the next morning at our learning session. I kept asking really good questions, but he just couldn't concentrate. "I don't have the available funds to put in more money now," he explained when our session was over. "But if we don't pay, we'll be left with only 20% of what we put in. And even worse—I can't believe I got you into this mess. If not for me, you would have never gone into this deal." His face was literally white. I had never seen him like this.

The pressure was intense. Both of our available cash was tied up in our businesses, and the thought of losing the \$2 million that we had invested was frightening. We needed answers, and fast.

We reached out to an experienced investment reviewer, hoping he could help us make sense of the situation. The reviewer immediately contacted the syndicator to request a detailed accounting of why the additional \$200,000 was needed. The syndicator was evasive, trying to avoid providing a clear explanation.

The situation escalated when the reviewer enlisted the help of a lawyer to formally demand transparency. Through legal channels, it was uncovered that the syndicator's request for funds was not due to the property's performance but rather because he was facing a separate legal battle. Someone was trying to sue him, which could potentially ruin his business. The \$200,000 was intended to raise capital to fend off this lawsuit, not to support the property.

The reviewer fought hard to protect our investment, and his persistence paid off; we did not need to come up with the extra money. Our property continued to perform well, and our investment remained intact—for the time being.

But then, we were hit with a hardball when it was time for our monthly return. The email from Mr. Fleischman was short and succinct

Unfortunately, some unexpected expenses have arisen this month that were necessary to address in order to maintain and preserve the long-term value of the property. These include additional repair work and increased maintenance costs that were unforeseen at the outset of our budgeting.

As a result of these unexpected expenses, we will not be issuing monthly dividends this month. Please be assured that we are actively managing the situation, and we will do everything possible to ensure that this is a temporary pause. Our goal remains to stabilize the property and resume normal distributions as soon as possible.

Eli and I were taken aback. For two years we had been getting monthly dividends, and now, specifically after this story, the returns were coming to a halt. Was it true that extra expenses had come up, or were we being “punished” for uncovering the unjustified cash call? We didn’t know the answer to that. A few months passed without any monthly payments, though the letters still suggested the property was doing well.

Then, nearly five months later, a letter arrived. It was brief—but devastating. The property deal had collapsed. The bank had repossessed the building, and with it, every dollar we had invested was gone.

Eli and I share more than just a stake in a multi-family property down south. We’ve been through the emotional rollercoaster of watching our hard-earned savings slip away and gaining invaluable lessons about the complexities of real estate investing. But above all, the most meaningful thing we share is the learning we do together every morning—something more valuable than any investment we’ll ever make.

**This story is true, yet all names and identifying details have been changed.*

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