

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

Case No. 8:09-cv-0087-T-26TBM

ARTHUR NADEL;
SCOOP CAPITAL, LLC;
SCOOP MANAGEMENT, INC.

Defendants,

SCOOP REAL ESTATE, L.P.;
VALHALLA INVESTMENT PARTNERS, L.P.;
VALHALLA MANAGEMENT, INC.;
VICTORY IRA FUND, LTD.;
VICTORY FUND, LTD.;
VIKING IRA FUND, LLC;
VIKING FUND, LLC; AND
VIKING MANAGEMENT, LLC,

Relief Defendants.

THE RECEIVER'S TWENTY-SECOND INTERIM REPORT

Receivership Information and Activity from April 1, 2017 through April 30, 2018.

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INTRODUCTION

Burton W. Wiand, the Court-appointed Receiver for the Receivership Entities as defined herein, hereby files this Twenty-second Interim Report (the “**Report**”) to inform the Court, the investors, and others interested in this Receivership, of activities from April 1, 2017 through April 30, 2018 as well as the proposed course of action.¹ As of the date of filing this Report, the Court has appointed Burton W. Wiand as Receiver over the following entities and trust:

- a) Defendants Scoop Capital, LLC (“**Scoop Capital**”) and Scoop Management, Inc. (“**Scoop Management**”) (which, along with Arthur Nadel, are collectively referred to as “**Defendants**”);
- b) Relief Defendants Scoop Real Estate, L.P. (“**Scoop Real Estate**”); Valhalla Investment Partners, L.P. (“**Valhalla Investment Partners**”); Victory IRA Fund, Ltd. (“**Victory IRA Fund**”); Victory Fund, Ltd. (“**Victory Fund**”); Viking IRA Fund, LLC (“**Viking IRA Fund**”); and Viking Fund LLC (“**Viking Fund**”) (collectively referred to as the “**Hedge Funds**”);
- c) Relief Defendants Valhalla Management, Inc. (“**Valhalla Management**”), and Viking Management, LLC (“**Viking Management**”) (which, along with Scoop Capital and Scoop Management, are collectively referred to as the “**Investment Managers**”); and
- d) Venice Jet Center, LLC; Tradewind, LLC; Laurel Mountain Preserve, LLC; Laurel Preserve, LLC; Laurel Mountain Preserve Homeowners Association, Inc.; Marguerite J. Nadel Revocable Trust UAD 8/2/07; Guy-Nadel Foundation, Inc.; Lime Avenue Enterprises, LLC; A Victorian Garden Florist, LLC; Viking Oil & Gas, LLC; Home Front Homes, LLC; Traders Investment Club; Summer Place Development Corporation; Respiro, Inc.; and Quest Energy Management Group, Inc.

The foregoing entities and trust are collectively referred to as the “**Receivership Entities**.”

¹ Although this Interim Report covers the period from April 1, 2017 through April 30, 2018, where practicable, the Receiver has included information in his possession through the date of the filing of this Report.

The Receiver was appointed on January 21, 2009. By January 26, 2009, the Receiver established an informational website, www.nadelreceivership.com. The Receiver has updated this website periodically and continues to update it with the Receiver's most significant actions to date, important court filings in this proceeding, and other items that might be of interest to the public. This Report, as well as all previous and subsequent reports, will be posted on the Receiver's website.

Overview of Significant Activities During this Reporting Period

During the time covered by this Report, the Receiver and his Professionals engaged in the following significant activities:

- Successfully recovered a tax refund of **\$2,920,359.71** in connection with amended tax returns the Receiver filed on behalf of Arthur Nadel;
- As of July 31, 2018, the Receiver has reached 159 agreements to settle with profiteers and non-profit organizations in the amount of \$25,674,831.09 and obtained 19 judgments against profiteers in the amount of \$6,402,639.38, for a total combined amount of **\$32,077,470.74** (plus additional non-cash assets);²
- Continued to engage in efforts to collect on judgments obtained in connection with litigation;
- Prevailed on a summary judgment motion filed in bankruptcy court against Vernon Lee and Manon Sommers Lee and was awarded a constructive trust and equitable lien with prejudgment interest in the amount of **\$336,891.39** on a residence obtained by Mr. Lee with scheme proceeds;
- Prevailed on an appeal to the district court of the decision regarding Vernon Lee mentioned above (the defendants filed a further appeal on July 27, 2018);
- Recovered \$59,692.50 from Neil Moody, which he received in connection with a tender offer of MAM Software Group shares titled in the name of his trust;

² This amount does not include a judgment in the amount of \$4,028,385.00 the Receiver obtained against Don and Joyce Rowe and certain of their affiliated entities (the "**Rowe Judgment**"). The Receiver has recovered a total of **\$2,892,315.39** on the Rowe Judgment.

- Obtained \$4,800 from Chris Moody for a payment made to the Chris Moody Trust for an investment in TRD Land 43, LLC;
- Sold an undeveloped lot, Lot Number 110 of Bird Creek Estates, in North Carolina for \$57,500, resulting in net proceeds of \$55,202.36 after payment of costs associated with the sale (the Receiver also retained a \$2,000 escrow deposit on the property);
- Sold a small undeveloped lot located on North Stevens Street in Thomasville, Georgia for \$5,500 and donated another small undeveloped lot in Thomasville to Habitat for Humanity;
- Sold various Quest oil and gas equipment for \$16,500;
- Reached a partial settlement with Wells Fargo to resolve outstanding claims by Wells Fargo relating to Laurel Mountain Preserve, La Bellasara, and the Rite-Aid Building (as defined herein) and obtained the Court's approval of the settlement;
- Maintained Receivership funds in appropriate accounts (as of July 31, 2018, the total funds in all Receivership accounts was approximately \$704,286.86);
- Filed the Receiver's Motion to Approve Seventh Interim Distribution, which sought the approval of a distribution of \$5 million to Claimants (as defined herein) on a *pro rata* basis, representing an additional recovery of 3.81% of the Claimants' allowed amounts (the Receiver has distributed approximately 51.99% of the allowed amounts of these claims);
- Obtained an order granting the Receiver's Motion to Approve Seventh Interim Distribution and distributed 356 checks totaling \$4,925,361.47 to Claimants that were entitled to participate in that distribution (as of July 31, 2018, two checks in the combined amount of \$18,327.99 from this interim distribution have not been negotiated; one check in the amount of \$4,569.38 from the sixth interim distribution also has not been negotiated);
- Continued to operate ongoing businesses, and where possible, enhance the value of those businesses resulting in the generation of \$583,309.78 in gross business income; and
- Generated \$81,379.72 in interest/dividend income.

The above activities are discussed in more detail in the pertinent sections of this Interim Report.

BACKGROUND

I. Procedure and Chronology.

Defendant Arthur Nadel (“**Nadel**”) was the Hedge Funds’ principal investment advisor and an officer and director of Scoop Management and sole managing member of Scoop Capital. On January 21, 2009, the Commission filed a complaint in this Court charging the Defendants with violations of federal securities laws. In this proceeding, the Commission alleged that Nadel used the Investment Managers to defraud investors in the Hedge Funds from at least January 2008 forward by “massively” overstating investment returns and the value of fund assets to investors in these funds and issuing false account statements to investors. The Commission also asserted that Nadel misappropriated investor funds by transferring \$1.25 million from Viking IRA Fund and Valhalla Investment Partners to secret bank accounts. The Court found the Commission demonstrated a *prima facie* case that the Defendants committed multiple violations of federal securities laws. On August 18, 2010, the Court entered a consent Judgment of Permanent Injunction and Other Relief against Nadel which permanently enjoined Nadel from further violations of the antifraud provisions of the federal securities laws and ordered Nadel to disgorge ill-gotten gains and pay prejudgment interest (Doc. 460).

On January 21, 2009, the same day the Commission filed its complaint, the Court entered an order appointing Burton W. Wiand as Receiver for the Investment Managers and Hedge Funds (the “**Order Appointing Receiver**”). (*See generally* Order Appointing Receiver (Doc. 8).) Between January 27, 2009, and May 24, 2013, the Receiver sought and successfully obtained the expansion of the Receivership to include: Venice Jet Center, LLC;

Tradewind, LLC; Laurel Mountain Preserve, LLC; Laurel Preserve, LLC; Laurel Mountain Preserve Homeowners Association, Inc.; the Marguerite J. Nadel Revocable Trust UAD 8/2/07; the Guy-Nadel Foundation, Inc.; Lime Avenue Enterprises, LLC; A Victorian Garden Florist, LLC; Viking Oil & Gas, LLC; Home Front Homes, LLC; Summer Place Development Corporation; Traders Investment Club; Respiro, Inc.; and Quest Energy Management Group, Inc. These entities will hereinafter be referred to collectively as the “**Additional Entities.**” (Docs. 17, 44, 68, 81, 153, 172, 454, 911, 916, and 1024.)

On April 28, 2009, Nadel was indicted on six counts of securities fraud, one count of mail fraud, and eight counts of wire fraud. On February 24, 2010, Nadel pled guilty to all counts in the indictment. On October 21, 2010, Nadel was sentenced to 14 years in prison. Nadel died in prison on April 16, 2012.

II. Overview of Findings.

The Receiver discovered that from 1999 through 2008, approximately \$330 million was raised in connection with over 700 investor accounts on behalf of one or more of the Hedge Funds by Nadel and his entities, Scoop Management and Scoop Capital; by the rest of the Fund Managers; and by Neil and Christopher Moody (the “**Moody’s**”) through the offer and sale of securities in the form of interests in Hedge Funds as part of a single, continuous Ponzi scheme. As discussed in prior Interim Reports, Nadel grossly overstated the trading results of the Hedge Funds. Despite significantly lower, and typically negative yields (*i.e.*, trading losses), Nadel, the Moody’s, and the Fund Managers falsely communicated to investors and potential investors, through monthly “statements,” Hedge Funds’ “Executive Summaries,” and other methods, that investments were generating positive returns and

yielding between 10.97% and 55.12% per year. For most years, they falsely represented the investments were generating returns between 20% and 30%.

To perpetrate and perpetuate this scheme, Nadel caused the Hedge Funds to pay investors “trading gains” as reflected on their false monthly statements. The funds used to pay these trading gains were not generated from trading activities; rather, they came from new or existing investors. Nadel further caused the Hedge Funds to pay tens of millions of dollars in fees. Those fees were based on grossly inflated returns, and thus were improperly and wrongfully paid. The negative cash flow of the Hedge Funds made the eventual collapse of Nadel’s scheme inevitable.

As mentioned above, on February 24, 2010, Nadel pled guilty to all counts in the indictment relating to this scheme and on October 21, 2010, was sentenced to 14 years in prison. For a more detailed overview of the Receiver’s findings, please refer to the Ninth Interim Report.

ACTIONS TAKEN BY THE RECEIVER

Since his appointment on January 21, 2009, the Receiver has taken a number of steps to fulfill his mandates under the Order Appointing Receiver. For additional efforts of the Receiver, please refer to prior Interim Reports.

III. Securing the Receivership Estate.

A. Securing and Recovering Receivership Funds.

During the time covered by this Interim Report, Receivership funds were held at Centennial Bank (formerly known as Bay Cities Bank) in non-interest bearing

operating/checking accounts and variable interest rate money market accounts. As of July 31, 2018, the total funds in all Receivership accounts was approximately \$704,286.86.

1. Recovery of Tax Refunds.

The Receiver has sought to obtain tax refunds owed to certain insiders based upon taxes paid in prior years on nonexistent trading profits, periodic taxes paid on anticipated income that was never earned, and/or overpayment of taxes as a result of loss of investment. Most recently, on August 28, 2017, the Receiver obtained a tax refund check of **\$2,920,359.71** for amended tax returns he submitted for Arthur Nadel. As a result of the Receiver's efforts, the total sum recovered from federal tax refunds to insiders is **\$7,959,062.64**. For more detailed information regarding the Receiver's efforts to recover tax refunds, please refer to the Twenty-first Interim Report and prior Interim Reports.

B. Receivership Accounting Report.

Attached as **Exhibit A** to this Interim Report is a cash accounting report showing the amount of money on hand as of April 1, 2017 less operating expenses plus revenue through April 30, 2018. This cash accounting report does not reflect non-cash or cash-equivalent assets. Thus, the value of all property discussed in Section IV below is not included in the accounting reports. From April 1, 2017 through April 30, 2018, the Receiver received \$583,309.79 in business income from ongoing operations of Receivership Entities,³

³ The income numbers provided in this and the following paragraph are gross figures and do not include any offset for operational costs or any other expenses.

\$57,500.00 in business asset liquidation, \$81,379.72 in interest/dividend income, and \$3,438,623.38 in other income.⁴ (Ex. A.)

Since the inception of the Receivership through April 30, 2018, the Receiver received \$8,690,767.39 in business income from ongoing operations of some Receivership Entities; \$2,066,501.32 in cash and securities; \$1,177,260.59 in interest/dividend income; \$7,581,143.58 in business asset liquidation; \$120,000.00 in personal asset liquidation; \$68,179,943.10 in third-party litigation income; and \$10,973,666.11 in other income.

IV. Asset Analysis and Recovery.

A. Expansion of Receivership to Include Additional Entities.

As noted above, the Receiver sought and successfully obtained the expansion of the Receivership to include the Additional Entities. The Receiver's investigation revealed that the Additional Entities were purchased and/or funded with money derived from Nadel's fraudulent investment scheme. The following discussion of the Additional Entities includes a description of assets the Receiver has acquired as a result of the businesses' inclusion in the Receivership. Assets, including Additional Entities, which have been sold or otherwise disposed of are identified on the attached **Exhibit B**. Exhibit B includes a description of the asset, any known encumbrances related to the asset, the disposition of the asset, and the amount received from the sale of the asset, and/or the amount of debt waived in connection

⁴ The "other income" includes: \$241,717.33 from the surrender of a Jackson Life annuity policy; \$4,800 for a partial return of investment from TRD Land 43, LLC; \$2,920,359.71 for Arthur Nadel's federal tax refund; \$254,073.76 from Wells Fargo in exchange for foreclosure on the Laurel Mountain property; \$16,500 for the sale of certain Quest oil and gas equipment; \$72.58 for an AT&T litigation tax settlement; and \$1,100 in check reissuance fees.

with the disposition of the asset. For more information regarding assets identified on Exhibit B, please refer to prior Interim Reports. Assets which have not been sold or otherwise disposed of are discussed below.

1. Laurel Mountain Preserve, LLC; Laurel Preserve, LLC; and Laurel Mountain Preserve Homeowners Association, Inc.

Laurel Preserve, LLC (“**Laurel Preserve**”) held title to approximately 420 acres near Asheville, North Carolina intended for the development of home-sites. On February 11, 2009, the Court expanded the Receivership to include Laurel Mountain Preserve, LLC, Laurel Preserve, and the Laurel Mountain Preserve Homeowners Association, Inc (“**HOA**”). The Laurel Mountain property encompasses 33 lots and an approximately four-acre parcel of land owned by the HOA. Twenty-three of these lots were encumbered by a \$1,900,000 interest only loan from Wells Fargo (the “**Laurel Mountain Property**”). Two lots are owned by Laurel Preserve but were not encumbered by the Wells Fargo loan. There is a cabin home on one of these two lots, which is subject to a \$360,157.37 loan from BB&T Bank. The remaining eight lots are owned by the Guy-Nadel Foundation and are discussed in Section IV.A.2 below.

On June 12, 2017, the Receiver filed an unopposed motion for approval of a proposed partial settlement with Wells Fargo (Doc. 1291). The settlement provided in pertinent part that Wells Fargo would have 90 days from the filing of the settlement motion to perform its due diligence on the Laurel Mountain Property and to either: (i) pay the Receiver the expenses for maintaining the property, in the amount of \$254,073.76, in exchange for the Court’s lifting of the injunction and authorizing Wells Fargo to foreclose on the property; or

(ii) waive its security interest in the Laurel Mountain Property in favor of the Receiver.⁵ The Court entered an order approving this settlement on June 21, 2017 (Doc. 1296). Wells Fargo paid the Receiver \$254,073.76 on September 29, 2017 and foreclosed on the Laurel Mountain Property. The Receiver is continuing to market the two remaining Laurel Mountain lots and the HOA parcel along with the seven Guy Nadel lots discussed below. Parties interested in purchasing any of this property should contact the Receiver directly.

2. Guy-Nadel Foundation, Inc.

The Guy-Nadel Foundation, Inc. (the “**Foundation**”), is a Florida non-profit corporation Nadel formed in December 2003 for “charitable, educational and scientific purposes.” The Foundation was funded with proceeds of Nadel’s scheme. On March 9, 2009, the Court expanded the Receivership to include the Foundation. Since the Receiver’s appointment as Receiver of the Foundation, he has taken control of it and has been marketing the real property owned by the Foundation.

North Carolina Parcels

The Receiver had possession and control of approximately eight lots that are essentially adjacent to each other and to the Laurel Mountain Property. The Receiver has been marketing these lots since obtaining control of them. On July 6, 2017, the Receiver filed a verified motion to approve the sale of one of those lots, Lot #110 of Bird Creek Estates (“**Lot 110**”) (Doc. 1300). In pertinent part, the motion sought the approval of the sale of Lot 110 for \$57,500, free and clear of all claims, liens, and encumbrances. This Lot had

⁵ The settlement agreement contained further provisions relating to the Bellasara Property and the Rite-Aid Building, which are discussed in Sections IV.B.1 and IV.B.2 below.

been listed for sale for the past eight years and received minimal interest. Further, the sale price was significantly greater than a 2015 appraisal and a Buncombe County appraisal, which were \$40,000 and \$36,600, respectively. The Court granted this motion on July 7, 2017 (Doc. 1301). The Receiver received the net amount of \$55,202.36 after payment of costs associated with the sale and retained a \$2,000 escrow deposit on the property.

Parties interested in purchasing the remaining seven lots should contact the Receiver directly.

Thomasville, Georgia Parcels

Additionally, the Receiver had possession and control of two small undeveloped lots in Thomasville, Georgia (collectively referred to as the “**Lots**”). The first lot is a .12 acre parcel located at 211 Church Street (the “**Church Street Lot**”) that was purchased by the Foundation in December 2006 for \$4,000. In 2017, the Thomas County Board of Tax Assessors assigned the Church Street Lot a taxing value of \$2,224. The second lot is a 1.17 acre parcel located on North Stevens Street (the “**North Stevens Street Lot**”) that was purchased by the Foundation in January 2008 for \$24,000. In 2017, the Thomas County Board of Tax Assessors assigned the North Stevens Street Lot a taxing value of \$10,342. The Properties were maintained (but not improved) since their purchase, and they are not subject to any known liens or encumbrances.

On March 30, 2018, the Receiver filed a verified motion for approval to sell or otherwise dispose of the Lots (Doc. 1355). In pertinent part, the motion sought the approval of (i) the sale of the North Stevens Street Lot for \$5,500 and (ii) the donation of the Church Street Lot to Habitat for Humanity to avoid additional maintenance expenses. Considering

(1) the current state of the real estate market in Thomas County, Georgia, (2) the fact that the Lots have been marketed for sale since 2009 with minimal interest, and (3) that prior efforts by the Receiver to sell the Lots by public auction were unsuccessful, the Receiver believes donating the Church Street Lot is in the best interest of the Receivership and the \$5,500 offer for the North Stevens Street Lot represents a fair and reasonable price. The Court entered an Order granting the motion on April 2, 2018 (Doc. 1356). The Receiver received \$5,500 from the sale of the North Stevens Street Lot and donated the Church Street Lot to Habitat for Humanity on April 25, 2018.

3. Viking Oil & Gas, LLC.

Viking Oil & Gas, LLC (“**Viking Oil**”) is a Florida limited liability company formed in January 2006 by the Moodys to make personal investments in an oil and gas venture. Viking Oil was funded with proceeds from Nadel’s scheme. On July 15, 2009, the Court expanded the Receivership to include Viking Oil. (Order, Doc. 153.) The funds invested in Viking Oil were used to purchase an investment interest in Quest Energy Management Group (“**Quest**”). Between February 2006 and April 2007, through Viking Oil, the Moodys invested \$4 million to fund a working interest in Quest. As discussed in Section IV.A.5, below, the Receiver has expanded the Receivership to include Quest.

4. Summer Place Development Corporation.

Summer Place Development Corporation (“**Summer Place**”) is a Florida company that was purchased by Clyde Connell in December 2005 and from whom Nadel, through Scoop Capital, purchased a fifty-percent ownership stake with total payments of \$63,204.99 to Mr. Connell. Between December 2006 and December 2008, Scoop Capital also paid

Summer Place \$62,100.00 to cover operational expenses. In April 2009, the Receiver replaced Nadel as Director, Secretary, and Treasurer of Summer Place and Scoop Capital's shares in Summer Place were transferred to the Receiver. The Receiver attempted to sell his fifty-percent ownership with no success. In April 2012, Mr. Connell and Juanita Connell, the only other Summer Place shareholders, relinquished their interest in Summer Place and transferred their membership units to the Receiver in exchange for the Receiver's agreement to pay them one-half of the net proceeds from the sale of assets owned by Summer Place.

Summer Place owns approximately 1.7 acres of a six-acre parcel in Bradenton, Florida ("**Summer Place Property**"). The Summer Place Property has no known liens or encumbrances. Summer Place was originally created to build affordable home sites on this property. However, due to the decline in the market for affordable housing, no development ever occurred. Summer Place has had no operations for several years and currently generates no income. Taxes on the property are approximately \$3,000 a year. On September 11, 2012, the Receiver filed a motion asking the Court to expand the Receivership to include Summer Place (Doc. 909). The Court granted this motion on September 12, 2012 (Doc. 911). The Receiver sought the expansion of the Receivership to include Summer Place so that he could market and sell the Summer Place Property. Parties interested in purchasing this property should contact the Receiver directly.

5. The Quest Energy Management Group, Inc. Receivership

Quest is an oil and gas exploration and production company based in Texas. Paul Downey was its Chief Executive Officer, and his son Jeff Downey was its Chief Operating Officer (collectively the "**Downeys**"). The Moodys, through Viking Oil, used scheme

proceeds of \$4 million to fund Quest. Through Valhalla Investment Partners, L.P., the Moodys funneled an additional \$1.1 million to Quest in exchange for a promissory note from Quest and the Downeys to Valhalla Investment Partners. To try to preserve Quest's value for the benefit of the Receivership estate and, ultimately, for defrauded investors in Nadel's scheme, on March 21, 2013, the Receiver moved to expand the Receivership to include Quest (Doc. 993). The Court granted this motion on May 24, 2013 (Doc. 1024).

On November 20, 2014, the SEC filed an enforcement action in the U.S. District Court for the Northern District of Texas against the Downeys and John M. Leonard, an individual who helped the Downeys raise money. *See S.E.C. v. P. Downey et al.*, Case No. 1:14-cv-185 (N.D. Tex.) (the "**Downey Enforcement Action**"). The SEC asserted claims against the Downeys for their violations of the anti-fraud provisions of the federal securities laws in connection with their activities on behalf of Quest. On July 25, 2016, the Downey Enforcement Action court entered an order granting summary judgment in favor of the SEC on its claims against the Downeys.⁶ On September 29, 2016, the Downey Enforcement Action court granted the Commission's motion for remedies and entered final judgments as to all defendants. In addition to entering final judgments, the court also made specific

⁶ On April 7, 2014, Jeffrey Downey and his wife, Pepper Downey, filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas. On October 16, 2014, the Receiver filed a complaint contesting the dischargeability of Jeffrey Downey's debt to Quest and also contesting his ability to obtain a discharge in bankruptcy. The Receiver filed a motion to dismiss the adversary proceeding without prejudice. The Court granted this motion on March 30, 2016. The Receiver determined to dismiss this action because he believes that the Receivership's interests will be adequately protected by the SEC's action against the Downeys.

findings as to the defendants, including that Jeffry and Paul Downey (1) “raised \$4.9 million from 17 investors in a fraudulent offering of securities”; (2) “acted with a high level of scienter, knowingly deceiving investors about virtually every aspect of the investment”; (3) concealed the Receiver’s appointment from Quest investors; and (4) exhibited “misconduct [which] was extremely egregious.”

Consistent with his duties under the Order Appointing Receiver, the Receiver undertook significant efforts to secure Quest’s assets and preserve them for the benefit of its defrauded victims. The Receiver traveled to Texas, secured Quest’s office,⁷ interviewed personnel, and examined the records he was able to collect. The Receiver also hired a forensic accountant to examine Quest’s records, which revealed that Quest was insolvent and seriously mismanaged prior to its addition to the Receivership. Quest also faced serious regulatory issues as a result of its failure to perform basic well maintenance or management for an extended period of time. Left uncorrected, those issues jeopardized Quest’s ability to operate which in turn diminished both its value and the prospect of a sale to a third party. The Receiver was forced to spend considerable effort and expense to resolve these regulatory issues, which included the development and implementation of a maintenance and repair plan.⁸ These efforts were integral to the Receiver’s strategy of preserving the value of

⁷ The Quest office is a small free-standing office building. The office has one known encumbrance: a loan with First National Bank with an outstanding principal balance as of October 2015 in the amount of \$46,522.48. Parties interested in purchasing the office should contact the Receiver directly.

⁸ For more information regarding these efforts, please refer to Interim Reports on Quest submitted by the Receiver (Docs. 1054, 1117, and 1145).

Quest's assets while also seeking a purchaser for Quest and its assets. Following the Receiver's appointment over Quest, the Receiver notified all parties with a potential interest in Quest of his appointment and provided them with copies of the pertinent Orders Appointing Receiver.

Since the expansion of the Receivership to include Quest, the Receiver has and will continue to maintain a separate accounting of revenues and expenses for the Quest Receivership. The Receiver has been able to grow Quest's revenues since that time and therefore, he believes Quest likely will generate sufficient revenues to cover its expenses. However, the Receiver believes that the assets and potential value of Quest is significantly less than the outstanding balance of its investors' principal investment amounts.

The Receiver also instituted a separate claims process for the Quest Receivership. On June 15, 2016, the Receiver filed a motion to initiate the Quest claims process. The motion sought the Court's approval of (1) a proof of claim form and procedure to administer claims, (2) a deadline for the filing of proofs of claim, and (3) notice by mail and publication ("**Quest Claims Motion**") (Doc. 1240). On June 17, 2016, the Court granted the Quest Claims Motion in its entirety. The Court established a claim bar date 90-days from the mailing of the proof of claim form to known potential Claimants. Pursuant to the Court's order, any person or entity who failed to submit a proof of claim to the Receiver on or before the claim bar date is precluded from asserting any claim against Quest. The Court's order further provided that sufficient and reasonable notice was given by the Receiver if made (1) by mail to the last known addresses of all known potential claimants, (2) by publication

on one day in the national edition of The USA Today and The Abilene Reporter-News, and (3) on the Receiver's website (www.nadelreceivership.com).

In compliance with the Court's Order, on July 14, 2016, the Receiver mailed 501 packages to known investors and their attorneys, if any, and any other known potential creditors of Quest thereby establishing October 12, 2016 as the Claim Bar Date. Each package included a cover letter, the claims process instructions, and a proof of claim form. The Receiver also published notice of the claims process in the form approved by the Court in the national edition of The USA Today and The Abilene Reporter-News on August 8, 2016, and provided all pertinent documents for the claims process on his website.

The Receiver received 95 submitted claims, seeking approximately \$15,804,250.21 in the aggregate.⁹ The Receiver has completed his review of these claims and substantially prepared a motion to approve his claims determinations and a proposed objection procedure. The Receiver intends to file this motion in the near future.

At the time Quest was placed in Receivership, it maintained leases on three fields, which contained a total of 90 gas and oil wells. A number of these wells were located on a plot of land in Callahan County, Texas, consisting of twenty-seven tracts covering approximately 4,346.63 mineral acres (the "**Hatchett Lease**"). On March 3, 2017, the Receiver filed an emergency motion to enjoin an administrative proceeding before the Texas

⁹ These amounts do not include claims for unspecified amounts of interest, fees, or penalties which were sought by some Claimants. Further, some Claimants did not specify the claim amount they are seeking. These numbers reflect the amounts to which Claimants claim they are entitled and not how much the Receiver has determined is the appropriate amount of their claims under law and equity.

Railroad Commission initiated by one of the owners of the Hatchett Lease (Doc. 1261). The motion also sought an order to show cause why sanctions should not be imposed against the Hatchett Lease owners and their representatives for failure to comply with the Court's order appointing the Receiver (Doc. 1261). Two lessors – John Carney and Byron Hatchett – opposed the motion and also sought leave to file a suit for damages and declaratory relief against the Receiver (Docs. 1268, 1269, and 1271). A hearing was held before this Court on March 22, 2017. The Court entered an order granting the Receiver's motion to stay, denying the Receiver's order to show cause, and denying John Carney and Byron Hatchett's motions for leave to file suit (Doc. 1272). The Court directed the parties to file legal memoranda on or before April 19, 2017, explaining whether the Hatchett Lease expired on April 15, 2016. On May 5, 2017, the Receiver submitted the requested brief in support of his position that the Hatchett Lease had not expired (Doc. 1285). John Carney and Byron Hatchett each also submitted additional briefing claiming that the lease had expired and the Receiver had forfeited all rights to recover any equipment on the property (Docs. 1287 and 1288). The equipment remaining on the property was valued at approximately \$200,000.

On June 1, 2017, the Court entered an order finding that while the Receiver tried in earnest to begin drilling or reworking operations after the one producing well on the property ceased production, these efforts did not extend the lease (Doc. 1290). The Court further found that the Receiver was entitled to recover the equipment from the property within 90

days after entry of the order (August 30, 2017). Pursuant to the order, the Receiver released the Hatchett Lease on June 1, 2017.¹⁰

On August 15, 2017, the Receiver filed a verified motion for approval of the sale of certain assets of Quest and the disposition of other assets of Quest (Doc. 1302). In pertinent part, the motion sought the Court's approval of the sale of various equipment recovered from the Hatchett Lease (the "**Hatchett Lease Equipment**"). The Hatchett Lease Equipment included pumping units, separators, a test tank trailer, and fuel, water, and oil tanks, among other things. After the Court's June 1, 2017 Order, the Receiver made efforts to sell this equipment.¹¹ As a result of the Receiver's efforts, he received an offer on an "as is" basis for the following assets: (1) Model 160 pumping unit for \$5,500.00; (2) Model 114 chain-drive pumping unit for \$3,000.00; (3) Emsco Model 57 pumping unit for \$3,750.00; and (4) CMC Model 57 pumping unit for \$1,750.00. The purchaser agreed to remove the items from the Hatchett Lease on or before August 30, 2017. The Receiver also requested that the Court enter an order authorizing him to sell or otherwise dispose of, using commercially reasonable efforts, the remaining Hatchett Lease Equipment. The Court granted this motion on August

¹⁰ The Hatchett Lease lessors subsequently withdrew their complaint before the Texas Railroad Commission, and the Commission entered Orders of Dismissal on July 20, 2017. The Receiver and the Hatchett Lease lessors are working together to transfer possession and responsibility of any well bores that the lessors wish to keep and to plug those wells that the lessors do not plan to use.

¹¹ The Receiver was previously granted authority to sell, donate, or otherwise dispose of personal property having a value of less than \$5,000 without prior approval of this Court (Doc. 97). Pursuant to this order, the Receiver sold a used 210 bbl fiberglass water tank for \$2,500 in March 2018. The Receiver also consigned office furniture and other miscellaneous office items. As of June 13, 2018, the Receiver has received \$841.00 from the sales of office items.

17, 2017 (Doc. 1304). The Receiver completed the above sale and deposited \$14,000 into the Quest Receivership account. The Receiver also recovered all unsold Hatchett Lease Equipment by August 30, 2017. The Receiver is storing and/or using the remaining assets until they are sold or otherwise disposed.

On November 12, 2014, the Court granted the Receiver's motion for leave to retain WhiteHorse Partners, LLC ("**WhiteHorse**") to market and assist the Receiver with the sale of Quest. On April 2, 2018, WhiteHorse withdrew from the marketing agreement. The Receiver is exploring other options for selling Quest and its assets.

B. Recovery of Real Property.

In addition to the assets discussed in conjunction with the expansion of the Receivership in Section IV.A, the Receiver also has recovered a number of other assets, some of which continue to be valued, assessed, and otherwise analyzed for liquidation, disposition, or other action. Again, assets which have been sold or otherwise disposed of are identified on the attached **Exhibit B**.

1. Sarasota, Florida (La Bellasara).

On January 28, 2010, the Court granted the Receiver's motion (Doc. 324) for possession of property located at 464 Golden Gate Point, Unit 703, Sarasota, Florida (the "**Bellasara Property**") (Doc. 327). The Bellasara Property is a residential condominium unit in a building called La Bellasara. On or about May 23, 2006, Neil Moody, as Trustee of the Neil V. Moody Revocable Trust, purchased the Bellasara Property for \$2,160,000. The Bellasara Property had two known encumbrances: a primary mortgage loan in the amount of \$956,000 and a home equity line of credit from Wells Fargo with an initial balance of

\$880,000. The primary mortgage loan from MSC Mortgage, LLC was assigned to Wells Fargo soon after Moody's purchase of the Bellasara Property and subsequently assigned in 2009 to Bank of America. The primary loan was serviced by Wells Fargo. Neither bank ever filed a claim in the Receivership relating to either of the two loans. The La Bellasara Condominium Association, Inc. ("**Condominium Association**") also asserted that it was owed approximately \$154,626.30 in unpaid condominium assessments. The Condominium Association also did not file a claim in the Receivership.

On April 15, 2015, the Receiver filed a verified motion to approve the sale of the Bellasara Property (Doc. 1174). On April 29, 2015, the Court granted the motion in its entirety (Doc. 1177). In pertinent part, the order approved the sale of the Bellasara Property for \$2,300,000 and approved the Receiver's request to allow him to hold the proceeds in trust until the disputes between the Receiver and the banks and the Condominium Association were resolved. On June 1, 2015, the Receiver received the net amount of \$2,147,993.69 from the sale of the property after payment of commissions and costs associated with the sale. As discussed in Section V. below, the Receiver initially prevailed on a motion for a determination that Wells Fargo's failure to comply with the claims process extinguished its purported interest in Receivership properties, including the Bellasara Property. Wells Fargo filed an appeal of this decision, and the appellate court reversed the Court's order.

On June 12, 2017, the Receiver filed an unopposed motion for approval of a proposed partial settlement with Wells Fargo (Doc. 1291). The settlement provided in pertinent part that the Receiver would disburse to Wells Fargo the sale proceeds less costs from the sale of the Bellasara Property in the amount of \$2,106,140.29. During the time that the Receiver

was attempting to sell the Bellasara Property, the Receivership incurred costs for condominium association dues, storage, appraisals, and utilities, totaling approximately \$41,664.90. Wells Fargo agreed to reimburse the Receiver for these costs and that reduction is reflected in the settlement payment amount stated above. The amount of the encumbrances exceeds the total sale proceeds. Thus, the motion sought the authority to disburse the entire amount to Wells Fargo as the senior noteholder.

After the filing of this motion, the Condominium Association filed a motion for time to file a potential objection (Doc. 1292). On June 20, 2017, the Condominium Association and Wells Fargo filed a stipulation regarding this potential objection wherein Wells Fargo agreed that the Receiver could disburse \$103,109.60 of the sale proceeds to the Condominium Association with the remaining funds being disbursed to Wells Fargo (Doc. 1295). On June 21, 2017, the Court entered an order granting the motion for settlement in its entirety (Doc. 1296). That same day, the Court entered an order specifying that the order at Docket 1296 is subject to the stipulation between Wells Fargo and the Condominium Association (Doc. 1297). On June 22, 2017, the Receiver sent \$103,109.60 to the Condominium Association by wire transfer. The Receiver sent the total amount of \$2,003,030.69 to Wells Fargo in two wire transactions on June 22, 2017 and July 7, 2017.

2. Graham, North Carolina (the Rite-Aid Building).

The Receiver had possession and control of a building located at 841 South Main Street, Graham, North Carolina 27253 (the “**Rite-Aid Building**”). This building was purchased for \$5,310,000 and was leased to a Rite-Aid Pharmacy. The Rite-Aid Building had one known encumbrance: a \$2,655,000 interest-only loan with Wells Fargo, which

matured in June 2009 (the loan was made by its predecessor Wachovia Bank, N.A.). The Receiver paid interest on this loan through October 2009. On May 8, 2012, over the objection of Wells Fargo, the Court approved the sale of the Rite-Aid building for \$2,400,000 free and clear of all encumbrances (Docs. 840, 841). Wells Fargo filed an emergency motion for reconsideration of the Court's order approving the sale of the Rite-Aid Building on May 14, 2012 (Doc. 853), which the Court denied on May 15, 2012 (Doc. 853). The Receiver obtained \$2,229,463.15 in net proceeds after payment of commissions and other expenses associated with the sale. The sale proceeds were held until Wells Fargo's claim to them was resolved.

On June 12, 2017, the Receiver filed an unopposed motion for approval of a proposed partial settlement with Wells Fargo (Doc 1291). The settlement provided in pertinent part that the Receiver would disburse to Wells Fargo the sale proceeds less expenses from the sale of the Rite Aid Property in the amount of \$2,224,563.15. The Receiver incurred expenses of approximately \$9,200 for an appraisal of the Rite Aid Property and \$300 for certain processing fees. Wells Fargo agreed to reimburse the Receiver for the processing fees and half of the appraisal. That reduction is reflected in the settlement payment amount stated above. The Court granted this motion on June 21, 2017 (Doc. 1296). Pursuant to the terms of the settlement, the Receiver disbursed \$2,224,563.15 of the sale proceeds to Wells Fargo on June 22, 2017.

Wells Fargo also claimed an interest in the rental income collected by the Receivership estate, which the Receiver disputed. The Receiver and Wells Fargo participated in a mediation on September 28, 2017 to try to resolve this dispute but were

unable to reach an agreement. On December 1, 2017, Wells Fargo filed a motion for an order directing the Receiver to turnover rents of \$1,322,923.20, which the Receivership had collected from the Rite Aid Property (Doc. 1332). In addition to the rents, Wells Fargo filed a motion seeking \$527,548.10 in attorneys' fees and \$41,074.64 in costs incurred in connection with the Receivership proceedings (Doc. 1333). The Receiver filed oppositions to these motions (Docs. 1342, 1343, 1351, and 1352).

On February 20, 2018, the Court entered an order granting the motion to turnover rents and denying in part the motion for fees (Doc 1354). The Court denied Wells Fargo's claim for \$527,548.10 in attorneys' fees and only allowed costs that previously had been awarded by two other courts in the total amount of \$41,074.64. On February 23, 2018, the Receiver sent payment in the amount of \$1,363,997.84 to Wells Fargo.

C. Recovery of Other Items.

The Receiver has recovered various other items, including vehicles, jewelry, promissory notes, and stock. Any of these items that have been sold or otherwise disposed of are identified on the attached Exhibit B. For more information regarding these items and their disposition, please refer to prior Interim Reports.

1. Deficiency Judgment and Promissory Note.

The Receiver has a deficiency judgment against the former owner of a condominium who had executed a promissory note payable to Mrs. Nadel. The Receiver foreclosed on the condominium and obtained a deficiency judgment in the amount of \$99,963.37. The Receiver recorded this judgment and is attempting to collect on it. (*See Exhibit B for information regarding the disposition of the condominium.*)

As mentioned above in Section IV.A.5, the Receiver also has a promissory note from Quest and the Downeys to Valhalla Investment Partners in the amount of \$1,100,000. Quest made monthly interest payments on this note through January 2013.

2. MAM Software Group and TRD Land 43, LLC

In May 2018, the Receiver learned of a tender offer with the MAM Software Group (“MAM”), which occurred in or around November 2015. As part of that tender offer, Neil Moody received \$59,692.50 in exchange for tendering 106,299 shares titled in the name of his trust. The Receiver sent correspondence to Mr. Moody on May 25, 2018, demanding the turnover of these funds pursuant to the settlement agreement with Mr. Moody discussed in Section IV.D. below. In response to this letter, Mr. Moody sent \$59,692.50 to the Receiver by wire transfer on June 4, 2018.

On May 4, 2017, Chris Moody informed the Receiver that the Chris Moody Trust received a payment of \$4,800 from TRD Land 43 in connection with an investment made by the trust. This payment represented the trust’s share of investment funds being returned to investors. Mr. Moody timely turned this payment over to the Receiver, and it was deposited into the Receivership accounts. The Receiver anticipates that he may receive an additional recovery on this investment when the underlying property is sold.

3. Miscellaneous Items.

In connection with the recovery of assets from the Moodys discussed below, the Receiver obtained 309,097 privately held shares in Nerium Biotechnology and 123,218 privately held shares of Phoenix Biotechnology. There is not currently a market for these shares and the Receiver cannot endorse the viability or legitimacy of these entities; however,

the shares may have some value. Parties interested in purchasing these shares, should contact the Receiver directly.

D. Recovery of Assets from the Moodys.

The Receiver's investigation revealed that a significant portion of activities of certain Hedge Funds should have been managed and directed by the Moodys. Together, the Moodys received approximately \$42 million in fees from certain Receivership Entities.¹²

Chris Moody cooperated with the Receiver in connection with the turnover of all of his assets. Neil Moody initially did not cooperate with the Receiver. Accordingly, the Receiver instituted an action against him individually and in his capacity as Trustee of the Neil Moody Revocable Trust and the Neil Moody Charitable Foundation. On January 6, 2011, the Receiver reached an agreement with Neil Moody to settle claims brought by the Receiver against him and his related entities. The Court approved this settlement on February 23, 2012 (Doc. 754). For more information regarding this settlement, please refer to the Twelfth Interim Report.

Meaningful assets the Receiver has identified for Chris Moody are delineated on the attached **Exhibit C**. Neil Moody's meaningful assets are identified on the attached **Exhibit D**. The Receiver is continuing to evaluate these assets and will take appropriate actions as he determines are in the best interests of the Receivership. Entities in which the Receiver believes he may have a viable interest or potential for meaningful recovery have been put on notice of the Receiver's interests and rights.

¹² For information regarding the enforcement action instituted against the Moodys, please refer to the Fourteenth Interim Report and prior Interim Reports.

E. Litigation.

In January 2010, the Receiver filed **134** lawsuits seeking approximately **\$71,096,326.43**. The lawsuits sought (1) the recovery of false profits from investors; (2) the recovery of transfers from Receivership Entities to Neil and Sharon Moody, Donald and Joyce Rowe, and certain of their affiliated entities; (3) the recovery of other transfers, such as commissions, from other individuals and/or entities; and (4) the recovery of certain charitable contributions made with scheme proceeds. The Receiver also initiated litigation against Holland & Knight, Wells Fargo Bank, and Anne Nadel. With the exception of matters involving one profiteer, the Receiver has resolved all litigation. For information regarding litigation brought by the Receiver and settlements reached with defendants, please refer to prior Interim Reports.

1. Recovery of “Investment” – Related Transfers from Investors.

The Receiver determined that some purported investor accounts received monies in an amount that exceeded their investments. These purported profits were false because they were not based on any trading or investment gain, but rather were fruits of a Ponzi scheme that consisted of commingled funds of new and existing investors. The Receiver discovered approximately \$35 million in such “false profits.” In consultation with the Commission, the Receiver concluded that, in the best interests of the Receivership Entities and the investors as a whole, these inequitable distributions should be recovered and distributed in an equitable manner among Claimants holding legitimate and allowed claims (as determined by the claims process).

As of July 31, 2018, the Receiver has reached 159 agreements to settle with profiteers and non-profit organizations in the amount of **\$25,674,831.09** and obtained 19 judgments against profiteers in the amount of **\$6,402,639.38** for a total combined amount of **\$32,077,470.47** (plus additional non-cash assets).¹³ The Court has approved all of the settlements. As of the date of this Interim Report, the only remaining unresolved litigation originated in *Wiand v. Lee*, Case No. 8:10-cv-0092-EAK-MAP, wherein the defendant appealed the Court's decision in favor of the Receiver and the appellate court remanded for a determination of prejudgment interest.

In *Lee*, the parties participated in mediation conferences before Magistrate Judge Porcelli aimed at resolving the prejudgment interest issue as well as an impleader action brought against Ms. Manon Sommers-Lee. The impleader action seeks to recover a residence which was funded with proceeds Mr. Lee obtained as a result of Nadel's scheme and is now in the possession of Ms. Sommers-Lee (the "**Lee Property**"). The parties were unable to reach a resolution at mediation. On February 2, 2015, Vernon Lee filed a petition for relief under Chapter 7 of the Bankruptcy Code. The Court determined to administratively close the case due to the bankruptcy proceeding on March 20, 2015. On March 18, 2015, the Receiver filed a motion to dismiss the bankruptcy. This motion was denied on May 1, 2015.

¹³ This includes \$127,114.23 that was awarded to the Receiver in an arbitration proceeding encompassing two clawback cases. The defendants paid the Receiver the entire amount awarded while the Receiver's motion to confirm the award was pending before the Court. This also includes a judgment in the amount of \$6,477.30 for attorneys' fees and costs which the Receiver obtained against a profiteer in connection with his frivolous objections to the Receiver's determination of claims he submitted in the claims process.

On May 5, 2015, the Receiver filed a proof of claim for \$1,391,269.41 representing the full amount of the judgment plus interest. On May 8, 2015, the Receiver filed a complaint objecting to the discharge and seeking an equitable lien or a constructive trust on the Lee Property. On November 20, 2015, the Receiver filed a motion for summary judgment with respect to entitlement to the Lee Property. A hearing on this motion was held on January 22, 2016. On June 23, 2017, the bankruptcy court entered an order granting partial summary judgment to the Receiver. The Court found that (1) the Receiver is entitled to an equitable lien and a constructive trust in the amount of \$227,126.78 plus prejudgment interest on the Lee Property, and (2) the Receiver's lien is superior to any claim of the defendants who cannot interfere with the Receiver's foreclosure on the property. On July 20, 2017, after considering supplemental memoranda submitted by the parties on the prejudgment interest issue and arguments of counsel at a July 18, 2017 status conference, the bankruptcy court entered a final judgment that the Receiver's equitable lien and constructive trust should include prejudgment interest in the amount of \$109,764.61, bringing the total equitable lien and constructive trust to \$336,891.39, which will continue to accrue interest at the federal statutory rate.

On July 24, 2017, the defendants filed a notice of appeal of this final judgment. The parties submitted appellate briefs and oral argument was heard on January 17, 2018 before the Honorable Charlene Edwards Honeywell. On July 3, 2018, the United States District Court affirmed the bankruptcy court's final judgment. On July 27, 2018, the defendants filed a notice of appeal of this decision to the United States Court of Appeals for the Eleventh Circuit.

On September 15, 2017, the Receiver filed a Motion to Enforce Constructive Trust through Turnover of Real Property, or in the Alternative, through Foreclosure of the Receiver's Equitable Lien in this Court (Doc. 1310). The defendants submitted responses *pro se*. On November 1, 2017, the Court entered an order denying without prejudice to seek the same relief in the original underlying federal case brought by the Receiver against Mr. Lee (Doc. 1328). The Receiver will likely wait for a decision on the appeal before proceeding further with this motion.

V. Claims Process.

On April 20, 2010, the Receiver filed his Motion to (1) Approve Procedure to Administer Claims and Proof of Claim Form, (2) Establish Deadline for Filing Proofs of Claim, and (3) Permit Notice by Mail and Publication (Doc. 390) ("**Claims Motion**"), which the Court granted on April 21, 2010 (Doc. 391). Pursuant to the Court's Order, any person or entity who failed to submit a proof of claim to the Receiver so that it was actually received by the Receiver on or before September 2, 2010, the claim bar date, is barred and precluded from asserting any claim against the Receivership or any Receivership Entity.

The Receiver received 504 claims, of which 478 claims were submitted in connection with 473 investor "accounts"¹⁴ ("**Investor Claimants**"). The Receiver also received 26 claims from other purported creditors ("**Non-Investor Claimants**") (Investor Claimants and Non-Investor Claimants are collectively referred to as "**Claimants**"), including two claims from taxing authorities. On December 7, 2011, the Receiver filed his Motion to (1) approve

¹⁴ In reality, Nadel and the Receivership Entities did not maintain separate investor accounts. Nevertheless, for ease of reference they are referred to as "**Investor Accounts.**"

determination and priority of claims, (2) pool Receivership assets and liabilities, (3) approve plan of distribution, and (4) establish objection procedure (“**Claims Determination Motion**”) (Doc. 675). The Receiver recommended that \$131,308,943.50 in Investor Claims and two tax lien claims be allowed. On March 2, 2012, the Court granted the Claims Determination Motion except with respect to a claim submitted by Wells Fargo (the “**March 2 Order**”) (Doc. 776).

The Court reserved ruling on the Wells Fargo claim and on several motions and objections filed by Wells Fargo and, in some instances, its affiliate TRSTE, Inc., relating to that claim and other purported interests in Receivership assets. (*See* Docs. 689, 690, 718, 719, 740.) On January 17, 2013, the Court entered an order deferring ruling on Wells Fargo’s motions pending the outcome of the Receiver’s case against Wells Fargo. (Doc. 955.) On December 7, 2015, the Receiver filed a motion for a determination that Wells Fargo’s failure to comply with the Court’s claims process extinguished its purported interests in Receivership properties. The Court granted this motion on February 2, 2016. Wells Fargo filed an appeal of this Court’s decision on March 2, 2016. Oral argument was held on December 8, 2016. On February 22, 2017, the Eleventh Circuit Court of Appeals reversed the Court’s determination that Wells Fargo was required to file timely proof of claims to protect its secured interests in the Bellasara and Laurel Preserve Properties.

Beginning April 27, 2012 through December 20, 2016, the Receiver filed motions seeking the approval of six interim distributions in the total amount of approximately \$62 million on a *pro rata* basis (Docs. 825, 945, 1085, 1113, 1212, and 1253). The motions also sought the establishment, increase, and/or release of reserves as appropriate. The Court

granted each of these motions (Docs. 839, 946, 1087, 1114, 1213, and 1259). These distributions provided a recovery of approximately 48.18% of the allowed amount of the claims entitled to receive them. All interim distribution checks from these distributions have been negotiated with the exception of one check from the sixth interim distribution in the amount of \$4,569.38.

More recently, on August 31, 2017, the Receiver filed a motion seeking the approval of (1) a seventh interim distribution of \$5,000,000.00 on a *pro rata* basis, representing an additional recovery of 3.81% of the allowed amount of claims receiving a distribution at that time, bringing the total recovery to approximately 51.99% of the allowed amount of these claims (Doc. 1308). On September 15, 2017, the Court granted the Receiver's motion in its entirety (Doc. 1309). All interim distribution checks have been mailed to Claimants holding claims which were determined to be entitled to participate in the interim distributions, and as of July 31, 2018, two checks totaling \$18,327.99 from this interim distribution have not been negotiated.¹⁵

¹⁵ As discussed in detail in each of the motions for interim distribution and on the exhibits attached to each motion, certain claims were not entitled to participate in the distribution and the distribution amounts apportioned to those claims reverted to the Receivership. For example, Claim Number 391 was not entitled to participate in any distributions of Receivership assets until and if all Class 1 Claims received 50% of their allowed amounts. Because the prior interim distributions provided a combined recovery of 48.81% to such Class 1 Claims, this claim was not entitled to participate in those distributions. Accordingly, the amounts apportioned to Claim Number 391 were not distributed and reverted to the Receivership. The seventh interim distribution brought the total combined recovery to approximately 51.99% for such Class 1 Claims, therefore Claim Number 391 was entitled to participate in that distribution to the extent the percentage of recovery exceeded 50%. As such, Claim 391 received approximately 1.99% of its allowed amount and the remainder reverted to the Receivership.

VI. Overview of Remaining Assets.

As of July 31, 2018, the total funds in all Receivership accounts are approximately \$704,286.86. As discussed above, the Receiver already has distributed a total of approximately **\$67 million** to Claimants with allowed claims that were entitled to receive distributions, representing a total recovery of approximately 51.99% of the allowed amounts for those claims. The Receiver is diligently working on recovering more funds in the hopes to make additional distributions to these Claimants. To accomplish this, the Receiver is (1) managing and attempting to sell the remaining properties and other miscellaneous assets currently held by the Receivership; (2) pursuing pending litigation involving the collection of a judgment and prejudgment interest against a clawback defendant; and (3) continuing to engage in other collection efforts on judgments obtained in connection with litigation.

A. Remaining Properties and Other Assets.

The Receiver is in possession of essentially two properties that remain to be sold. These two properties consist of (1) the remaining lots and cabin home held in the names of the Guy Nadel Foundation and Laurel Preserve in North Carolina (*see* Sections IV.A.1 and IV.A.2 above) and (2) the approximately 1.7 undeveloped acres in Bradenton, Florida held by Summer Place (*see* IV.A.4 above).¹⁶ The Receiver is continuing his efforts to sell these properties. The Laurel Preserve cabin home is encumbered by a \$360,157.37 loan from BB&T Bank. The Receiver has information which suggests that BB&T has filed or will file

¹⁶ This does not include an office building owned by the Quest Receivership, which has a current assigned value of \$106,939 by the local county taxing authority and has an outstanding principal balance with First National Bank in the amount of \$46,522.48 as of October 22, 2015. The loan payoff amount including interest at that time was \$55,068.60.

a foreclosure proceeding regarding this property. The Receiver does not believe that the value of the cabin home exceeds the amount of BB&T's encumbrance.

The Receiver also has possession of various miscellaneous assets which include artwork, furniture, and the like. While the Receiver is attempting to maximize the recovery from the sale of these assets, he does not anticipate any significant recovery (*i.e.*, in excess of \$20,000). The Receiver is also diligently working on evaluating, managing, and selling various assets obtained from the Moodys. The Receiver acquired the Moodys' interests in various companies. However, from the Receiver's research, it appears that many of these companies are no longer in business and thus, the interests in these companies have little to no value. For more information regarding these interests, please refer to Exhibits C and D.

The Receiver expanded the Receivership to include Quest, a Texas oil and gas company. The Receiver is marketing Quest and will continue to operate it in an effort to preserve and maximize its value until it is sold. The Receiver has initiated a claims process for the Quest Receivership solely for claims against Quest. All claims were to be submitted to the Receiver on or before October 12, 2016. The Receiver has completed his review of these claims and substantially prepared a motion to approve his claim determinations and a proposed objection procedure. The Receiver intends to file this motion in the near future.

B. Remaining Clawback Litigation.

All clawback cases which were pending in district court and arbitration have been resolved. As discussed above, there is one case remaining, which involves a clawback defendant's appeal of a bankruptcy court's decision in favor of the Receiver regarding the imposition of an equitable lien and a constructive trust in the amount of \$336,891.39 on a

residential property. Please refer to Section IV.E.1 for more information regarding this matter.

C. Settlements and Outstanding Judgments.

As noted above, as of July 31, 2018, the Receiver has settled 159 cases brought against profiteers and non-profit organizations for the total amount of \$25,674,831.09. The Receiver has collected \$25,722,333.35 on these settlements, and no amounts remain to be paid.¹⁷ The Receiver also obtained 19 judgments against profiteers and non-profit organizations for the total amount of \$6,402,639.38. The Receiver has collected \$3,009,380.22 of the total judgment amount. The Receiver is proceeding with collection efforts on the outstanding judgments as appropriate. While the Receiver is hopeful that he will recover funds on the majority of these judgments, the Receiver believes it is unlikely that he will be able to fully satisfy them. Parties interested in purchasing these judgments should contact the Receiver directly.

The Receiver also obtained a judgment against the Rowe Defendants in the amount of \$4,028,385.00. The Receiver has recovered \$2,892,315.39 on this judgment. The Rowe Defendants represented and warranted that they do not have sufficient non-exempt assets to satisfy the remaining amount under the judgment. After receipt of a payment of \$200,000 from an annuity purchased by the Rowes (which is included in the amount above), the Receiver released the Rowe Defendants from the remainder of the judgment.

¹⁷ The total amount collected includes \$47,502.26 in interest, which was paid in connection with settlement payments that were paid over time.

VII. The Next Ninety Days.

The Receiver will proceed with pending litigation and collection efforts. He will continue to thoroughly consider and review any settlement offers and engage in settlement negotiations. The Receiver will make every effort to reach compromises that are in the best interests of the Receivership Entities and the investors.

The Receiver will continue to market properties for sale and entertain offers for purchase.

The Receiver also will continue Quest's operations to maintain and, if possible, enhance its value. While the Receiver will continue to operate Quest's business and maintain other Receivership properties, he is actively seeking to wind down this Receivership and the Quest Receivership.

CONCLUSION

Creditors and investors in the Receivership Entities are encouraged to periodically check the informational website (www.nadelreceivership.com) for current information concerning this Receivership. The Receiver and his counsel have received an enormous amount of emails and telephone inquiries and have had to expend significant resources to address them. To minimize those expenses, creditors and investors are strongly encouraged to consult the Receiver's website before contacting the Receiver or his counsel. However, the Receiver continues to encourage individuals or attorneys representing investors who may have information that may be helpful in securing further assets for the Receivership estate or identifying other potential parties who may have liability to either the Receivership estate or

investors directly either to email jrizzo@wiandlaw.com or call Jeffrey Rizzo at 813-347-5100.

Dated this 21st day of August, 2018.

Respectfully submitted,

s/Burton W. Wiand
Burton W. Wiand, Receiver

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that on August 21, 2018, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system.

s/Jared J. Perez

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