

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

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

CASE NO.: 8:09-cv-0087-T-33CPT

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,

Relief Defendants.

**THE RECEIVER'S STATUS REPORT IN RESPONSE TO THE COURT'S ORDER
REGARDING THE QUEST RECEIVERSHIP AND THE NADEL RECEIVERSHIP**

On January 8, 2020, the Court entered the following endorsed order directing Burton W. Wiand, as receiver (the “**Receiver**”) over Quest Energy Management Group, Inc. (“**Quest**” and the “**Quest Receivership**”) and numerous other entities, including the above-captioned defendants and relief defendants (the “**Nadel Receivership**”), to file an updated status report:

Approximately five months ago, this Court directed the Receiver to file a status report regarding the status of the proceedings and the necessity for

further judicial involvement in this matter. (Doc. # 1408). The Receiver identified several remaining issues, including the contemplated sale of Quest Energy Management Group, Inc., which never came to pass, and certain motions that the Receiver has since filed and which the Court has ruled upon. (Doc. # 1413). The Receiver also identified certain asset sales related to the Nadel receivership that were outstanding. (Id.). Upon a review of the docket, the Court directs the Receiver to file an updated status report regarding the status of the proceedings and the necessity for further judicial involvement in this matter on or before January 17, 2020.

Doc. 1431. As previously noted in other filings, the Receiver has administered the Quest Receivership independently of the broader Nadel Receivership, as directed by the Hon. Richard A. Lazzara. In response to the Court's order, the Receiver provides the following updates regarding each receivership.

The Quest Receivership

On July 24, 2019, the Receiver filed his Verified Motion For Approval Of Private Sale Of Assets Of Quest Energy Management Group, Inc. Doc. 1403. With full knowledge that the Receiver had complied with pertinent statutory requirements and that the motion was pending before the Court, the purchaser cancelled the transaction shortly before the Court granted the motion approving the sale. Doc. 1407. Brief litigation ensued regarding the Receiver's ability to retain the purchaser's \$100,000 earnest money deposit, but the Court ultimately ruled that the purchaser was entitled to the funds, which the Receiver returned in accordance with the Court's order. *See* Docs. 1419, 1423, 1424, 1425, 1426, 1427, 1428. On December 10, 2019, to clarify the record regarding the ownership and operation of Quest, the Court granted the Receiver's motion to vacate the order approving the sale.¹ *See* Docs. 1429, 1430.

¹ At present, there is no active litigation in the Quest Receivership.

Given these developments, the Receiver continues to manage Quest and its employees. The company generates enough revenue from oil and gas production to fund its daily operations and to pay royalties to pertinent landowners, as required by certain leases and other agreements. The Receiver thus believes the continued operation of Quest is appropriate and in the best interests of the Quest Receivership. The day-to-day operation of the company should not require judicial involvement, absent unforeseen circumstances.

The Receiver is also continuing his attempts to monetize Quest and/or its assets for the benefit of its creditors. For example, he has been negotiating with a long-term employee who is interested in purchasing the company. The Receiver is also considering retaining an auction company to sell Quest or its assets. Finally, the Receiver is considering moving the Court to abandon Quest if its assets cannot be monetized. Under that scenario, the company's employees would lose their jobs, pertinent Texas regulators would likely sever the oil and gas leases, and creditors would not recover any funds. Obviously, the Receiver considers abandonment a last resort and intends to exhaust all other options. The Receiver nevertheless recognizes that he cannot operate Quest indefinitely, and he intends to bring the matter to a prompt resolution. Under any of these scenarios, the Receiver's actions will require Court approval, as he previously sought in connection with the 2019 transaction that the purchaser ultimately cancelled.

When the Receiver filed his last update, several objections to claim determinations were pending, but those matters have all been resolved (with the Court's approval) through settlements, claim adjustments, waivers, or other means. *See, e.g.*, Docs. 1407, 1412, 1414,

1416, 1421, 1422. As such, the Quest claims process is essentially complete and should not require further judicial involvement, absent unforeseen circumstances.

The only remaining question is whether any funds will be available to distribute to the claimants. If the Receiver is able to monetize Quest or its assets, he will move the Court to approve a distribution to claimants. *See, e.g.*, Docs. 845, 945, 1085, 1113, 1212, 1308 (approving distributions in the Nadel Receivership). As the Receiver has warned, given the size of the claims by Class 1 and Class 2 claimants (even after the discounts negotiated by the Receiver), it is likely that material funds will not be available to make a distribution to Class 3 claimants. The Receiver will provide more detailed calculations in his motion to approve any distribution. The Receiver anticipates making, at most, one distribution.

After completing the distribution, the Receiver will move the Court to close the receivership as to Quest, which will involve customary yet miscellaneous requests for relief, including approval of final administrative fees, authorization to destroy unneeded records, and discharge of the Receiver and his professionals.

The Nadel Receivership

There is no active litigation in the Nadel Receivership. As noted in the Receiver's previous status report, he is attempting to sell a large tract of land in North Carolina. Specifically, Laurel Preserve, LLC (a Nadel Receivership entity) held title to approximately 420 acres near Asheville, North Carolina intended for the development of home-sites (the "**Laurel Preserve Property**"). The Receiver has sold or otherwise compromised numerous lots within the Laurel Preserve Property, and he is left with a conservation easement of approximately 169 acres, which was granted to a land conservancy in 2005 (the

“**Easement**”). The Receiver instituted an ancillary civil proceeding against the land conservancy to extinguish the Easement on December 1, 2009. *See Burton W. Wiand, as Receiver v. Carolina Mountain Land Conservancy*, M.D. Fla. Case No. 8:09-cv-2443-T-27TBM. Pursuant to a settlement agreement with the conservancy, the Receiver obtained possession of the Easement. Given the unique nature of the Easement, it has received little interest and been difficult to sell. The Receiver has employed several real estate agents and engaged in other marketing efforts with little success. Nevertheless, the Receiver has recently been negotiating with a group interested in purchasing the Easement, and he is hopeful that a deal can be reached. Sale of the Easement will require the Court’s approval.

The Receiver is also attempting to sell a property in Bradenton, Florida. Specifically, Summer Place Development Corporation (“**Summer Place**”) is a Florida company that was purchased by Clyde Connell in December 2005 and from whom Arthur Nadel (through defendant Scoop Capital, LLC (“**Scoop Capital**”)) purchased a fifty-percent ownership stake with total payments of \$63,204.99 to Mr. Connell. 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 interest 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 (the “**Summer Place Property**”). The Summer Place Property has no known liens

or encumbrances. Summer Place was originally created to build affordable housing, but due to the housing crisis and recession that occurred at the same time Nadel's scheme collapsed, the Summer Place Property was never developed.

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. Unfortunately, the surrounding area is somewhat blighted and has not recovered along with the broader housing market. Individuals make occasional inquiries about the property, but there have been no significant offers. To bring finality to this matter, the Receiver intends to auction the Summer Place Property. In the past, even auctioneers were not interested in the property, but the Receiver believes he has identified a company that is willing to conduct an auction, including certain marketing efforts. If the auction fails or is otherwise not feasible, the Receiver will consider donating the property to an appropriate charity like Habitat for Humanity (which he has done previously – *see* Docs. 1355, 1356) or abandoning it. Each of these scenarios will require the Court's approval.

The Receiver has disposed of most (if not all) other material assets in the Nadel Receivership, with the possible exception of shares in certain businesses obtained from Neil or Christopher Moody – *i.e.*, Nadel's associates. The Receiver's investigation has revealed that almost all the related businesses have gone bankrupt or otherwise ceased operations, but several might have value, although none of the shares are traded on liquid markets. Occasionally, a private company will offer investors an opportunity to redeem their shares or

a corporate repurchase might be arranged, but these transactions can require steep discounts. In any event, when the Receiver is able to sell the real estate described above, he will ensure any issues with miscellaneous assets do not impede the resolution of this case.

Fortunately, unlike the Quest Receivership, the Nadel Receivership has approximately \$578,000 in its accounts, and the sale of the Laurel Preserve Property in particular could materially increase that amount. Unbilled administrative fees are relatively minor, given the lack of active litigation and the fact that the Nadel Receivership is winding down. As such, the Receiver will have sufficient funds to make an eighth and final distribution to claimants. To date, the Receiver has distributed approximately \$67 million, which represents a total recovery of approximately 51.99% of allowed claim amounts. To conserve resources, the Receiver will likely make this final distribution when he moves the Court to close the Nadel Receivership. That motion will ask the Court to approve the distribution and request other customary yet miscellaneous types of relief, including approval of final administrative fees, authorization to destroy unneeded records, and discharge of the Receiver and his professionals.

CONCLUSION

The Receiver is cognizant of the length of the Quest Receivership and especially the Nadel Receivership. He has sold the receivership entities' most liquid and desirable assets and is left with the challenges noted above. Nevertheless, the Receiver has a plan to bring these matters to a close. Barring unforeseen developments, the vast majority of the judicial involvement the Receiver will require at this stage of both receiverships (but again especially the Nadel Receivership) will be the approval of asset sales, auctions, donations, or other

methods of disposing the pertinent assets, and (aside from the recent dispute regarding Quest) such motions have historically been unopposed. The Receiver is available to provide any additional details or explanation the Court may require.

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that on January 17, 2020, 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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