

**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 May 1, 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:

Upon a review of the docket, the Court directs the Receiver to file an updated status report regarding the status of the proceedings by May 15, 2020. To the extent he is able to do so, the Receiver should inform the Court of the time frame in which he expects to close each receivership.

Doc. 1433. 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.

Given these developments, the Receiver continues to manage Quest and its employees. The company has historically generated enough revenue from oil and gas production to fund its daily operations, but given world events and the impact of the Covid-19 virus, that is no longer possible. Current oil and gas prices will not support continued operations, especially considering regulatory maintenance requirements. Oil and gas prices,

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

which were already depressed, plummeted further during the first quarter of 2020. In fact, prices turned negative for a brief period in April 2020 due to a combination of lack of demand and storage capacity.²

US oil prices turn negative

Price per barrel of WTI



Source: Bloomberg, 20 April 2020, 20:15 GMT

BBC

Since the Receiver's last update (Doc. 1432 (the "**January 2020 Update**"), filed January 17, 2020), he has continued attempts to monetize Quest and/or its assets for the benefit of its creditors. For example, he was negotiating with a long-term employee who was interested in purchasing the company. Because of the steep decline in oil and gas prices, however, that option is no longer available, and the Receiver believes there is no realistic opportunity to sell Quest, at least during the upcoming months. The Receiver was also considering retaining an auction company to sell Quest or its assets, but that option no longer

² See, e.g., www.bbc.com/news/business-52350082, last accessed May 15, 2020, which is also the source of the above graphic.

seems possible given relevant economic conditions. Finally, the Receiver anticipates moving the Court to abandon Quest. The secured creditors have been advised of this intention, and absent an agreement between those creditors, the Receiver anticipates abandoning Quest and allowing the secured creditors to seek such legal remedies with respect to the assets as they deem appropriate. The following chart reflects Quest’s revenues over the last six months:

Month	Oil	Gas
December	\$22,204.76	\$15,253.03
January	\$29,050.84	\$13,398.01
February	\$24,837.29	\$9,914.74
March	\$10,763.71	\$6,911.79
April (anticipated)	\$4,022.69	Undetermined

Quest is holding approximately 800 barrels of oil in reserve (worth slightly more than \$20,000 if sold), but pricing is based on a rolling three-month average. As such, even if prices recover as stay-at-home orders are lifted and economic activity resumes, the negative effects of the last several months will linger for some time, even assuming demand returns to “normal” levels. Given Quest’s falling revenues and macroeconomic trends, the company does not anticipate being able to continue operations through the summer. In anticipation of that unfortunate possibility, as mentioned above, the Receiver has contacted Quest’s largest

remaining secured creditors – the Texas taxing authorities and Van Operating, Ltd. – to determine whether cooperative alternatives short of abandonment exist.

Obviously, the Receiver considers abandonment a last resort and intends to exhaust all other options. However, he cannot operate Quest indefinitely (especially given the company’s decreasing cash flow), and he intends to bring the matter to a prompt resolution. After disposing of Quest through a sale, abandonment, or some other mechanism, the Receiver will move the Court to close the receivership as to Quest, which will involve customary yet miscellaneous requests for relief, authorization to destroy unneeded records, and discharge of the Receiver and his professionals.³

The Nadel Receivership

There is no active litigation in the Nadel Receivership. As noted in the Receiver’s previous status reports, 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

³ For transparency, references to the payment of Quest’s expenses do not include the Receiver’s fees or any attorneys’ fees. The Receiver has prioritized the payment of Quest’s operating expenses (employee salaries, insurance, regulatory payments, equipment maintenance and repairs, etc.). The Receiver and his counsel have not been paid for work performed during parts of 2017 through the present and, in fact, have not received compensation previously authorized by the Court in order to avoid depleting Quest’s necessary working capital.

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.

In the January 2020 Update, the Receiver reported that he was negotiating with a group interested in purchasing the Easement, and he was hopeful that a deal could be reached. Unfortunately, that transaction has not moved forward. The Receiver has recently listed the property with a new agent, who is again attempting to advance the transaction. The Laurel Preserve Property has also been listed on LoopNet.com but has generated minimal interest.⁴ If the new listing agent cannot demonstrate progress selling the property in the next 90 days, the Receiver will consider an auction scheduled promptly after the end of that period. The Receiver is exploring nontraditional ways to extract value from the property, including selective logging.

The Receiver was 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

⁴ *See* www.loopnet.com/Listing/0-Laurel-Mountain-Rd-Black-Mountain-NC/13339337/.

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 this property 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**"). 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 offers.

In the January 2020 Update, the Receiver reported that he intended to auction the Summer Place Property. In the past, even auctioneers were not interested in the property, but the Receiver believed he had identified a company that was willing to conduct an auction, including certain marketing efforts. After the Receiver filed the January 2020 Update, however, the company performed additional due diligence and concluded an auction was not financially feasible. The Receiver previously reported that if an auction was not feasible, he

would consider donating the property to an appropriate charity like Habitat for Humanity (which he has done previously – *see* Docs. 1355, 1356) or abandoning it. The Receiver is now at this stage of his disposition plan. He is reaching out to charities and preparing a motion to abandon. Either scenario will require Court 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 or abandon 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 \$580,000.00 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.⁵ 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 continued to implement his 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, abandonment 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.

Dated this 15th day of May 2020.

Respectfully submitted,

s/ Burton W. Wiand

Burton W. Wiand, Receiver

⁵ The Receiver considered making another interim distribution, but he calculated that the individual distribution amounts would be relatively small in most cases, which does not justify incurring the substantial expenses associated with the calculation, distribution, and reconciliation of several hundred checks.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on May 15, 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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