

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 August 3, 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 these proceedings by August 10, 2020.

Doc. 1435. 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. In the his May 2020 status report (Doc. 1434) (the "**May Update**"), the Receiver explained that the company 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, he warned that prevailing prices would not support continued operations. As

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

anticipated, Quest's lack of capital forced it to discontinue operations on July 31, 2020.

In the May 2020 Update, the Receiver indicated that a sale of Quest or its assets was not likely or feasible, and as a result, he might have no choice but to move the Court to abandon the company. Since then, the Receiver has engaged in negotiations with several interested parties, including potential purchasers and secured creditors. In recent weeks, these negotiations have been particularly active, but they are nevertheless extremely fluid. The contemplated transactions might allow the Receiver to satisfy certain Class 1 and Class 2 claims, but again, there are numerous interconnected issues, and discussions are ongoing. For various strategic reasons, the Receiver is not able to publicly disclose more information at this time, but his attorneys have drafted a motion to close the Quest Receivership, and all parties are hopeful that motion can be filed in August 2020 or soon thereafter.

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 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 May 2020 Update, the Receiver reported that he listed the Laurel Preserve Property with a real estate agent in a final attempt to sell the land. It has also been listed on LoopNet.com but has generated minimal interest.² Nevertheless, a potential purchaser has recently submitted an oral offer, and the Receiver has begun negotiations. The listing agreement with the real estate agent expires on August 14, 2020. If these negotiations do not result in a transaction, the Receiver will likely move the Court to auction the property.

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 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

² See www.loopnet.com/Listing/0-Laurel-Mountain-Rd-Black-Mountain-NC/13339337/.

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 (Doc. 1432), 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. As such, the Receiver now believes he has no choice but to abandon the Summer Place Property. His attorneys have drafted a motion requesting that relief, which the Receiver anticipates filing in August 2020.

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.³ 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.

³ 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.

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.

Dated this 10th day of August 2020.

Respectfully submitted,

s/ Burton W. Wiand

Burton W. Wiand, Receiver

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on August 10, 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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