

hereby files this *Receiver's Initial Status Report* (the “**Initial Report**”) for *Receivership Estates of (A) Arthur F. Wammel; (B) Wammel Group, LLC; and (C) Wammel Group Holdings Partnership*.¹

I. BACKGROUND

1. On May 15, 2017, Plaintiff, the Securities and Exchange Commission (“**SEC**”), filed its application for the appointment of a receiver for Defendants, Thurman P. Bryant, III and Bryant United Capital Funding, Inc. (the “**SEC Application**”).

2. Specifically, Bryant and BUCF promised investors their funds would be safely preserved in secure escrow accounts and used for the sole purpose of serving as proof of funds to enable BUCF to secure a line of credit with which to pursue a mortgage-related investment program resulting in 30% returns. As Bryant, BUCF, and Wammel knew, these promises were false. No secure escrow accounts existed, and there was no mortgage-related investment program. Complaint, Dkt. No. 1 (the “**Complaint**”), at ¶ 3. In reality, and directly contrary to representations they made, the Receivership Defendants commingled investor funds in a single deposit account controlled by Bryant, from which he, among other things, (a) funneled approximately \$16.2 million to the Wammel Defendants; (b) misappropriated \$4.8 million to fund his personal living expenses; (c) transferred \$1.37 million to Relief Defendant Goodspeed; and (d) paid out at least \$140,000 to Relief Defendant Bryant, Jr., all without investors’ consent or knowledge. *Id.*

3. On May 15, 2017, after the Court’s review of the SEC Application and upon the Court’s conclusion that the Court has subject matter jurisdiction over this case and personal jurisdiction over the Bryant Defendants, the Court determined that entry of an order appointing a

¹ On June 14, 2017, the Receiver filed her *Initial Status Report for Receivership Estates of (A) Thurman P. Bryant, III; (B) Bryant United Capital Funding, Inc.* [Dkt. No. 32] in accordance with the May 15th Order Appointing Receiver [Dkt. No. 17]. Pursuant to the July 19th Amended Order Appointing Receiver, the Receiver files this Initial Report regarding the Wammel Defendants.

receiver over the Bryant Defendants was both necessary and appropriate to marshal, conserve, hold and operate all of the Bryant Defendants' assets pending further order of the Court. Accordingly, the Court entered the *Order Appointing Receiver* on May 15, 2017, naming Jennifer Ecklund as the Receiver over the Receivership Estates. *See* Dkt. No. 17 (the “**May 15th Order**”). The same day, the Court entered the Order Granting *Ex Parte Temporary Restraining Order, Freezing Assets, Granting Other Equitable Relief*, and Setting Hearing for Preliminary Injunction. *See* Dkt. No. 166.

4. The SEC negotiated and the Court entered on [June 2, 2017] the *Agreed Order Granting Preliminary Injunction and Other Relief* [Dkt No. 27] (the “**Agreed Preliminary Injunction**”) among Defendant Bryant, the Receiver, and the SEC.

5. On June 8, 2017, the Wammel Defendants filed an Answer to the Complaint [Dkt. No. 29]. On June 9, 2017, Relief Defendant Thurman P. Bryant, Jr. filed an Answer to the Complaint [Dkt. No. 30]. Despite having been personally served with notice of the suit [*see* Dkt. No. 28], Relief Defendant Carlos Goodspeed has wholly failed to answer the allegations in the Complaint.

6. On July 10, 2017, Bryant filed an Answer to the Complaint [Dkt. No. 40].

7. The May 15th Order Appointing Receiver was expanded on July 19, 2017 [Docket No. 48] (the “**Receivership Order**”), to add the Wammel Defendants to the Receivership. The Receivership Order did not change the substance of the Receiver's original powers as set forth in the May 15th Order.

8. Pursuant to the Receivership Order, the Receiver is charged with marshaling and preserving all the assets of the Defendants.

9. The Receivership Order requires that the Receiver file an initial status report with the Court:

Within thirty (30) days of the entry date of this Order, the Receiver shall file a status report with the Court. The status report will include a summary of receivership activities to date. It will also include a proposed plan for administering the receivership going forward, as well as a proposed deadline by which the Receiver will submit the Liquidation Plan.²

Receivership Order at ¶ 51.

10. As stated above, the Receivership was expanded on July 19, 2017. Accordingly, this Initial Report covers the period of July 19, 2017 through August 18, 2017 (the “**Reporting Period**”).

II. GENERAL OVERVIEW

11. During the Reporting Period, the Receiver actively seized, inventoried, and investigated assets and liabilities of the Receivership Estate. This inventory included preserving hard and electronic data. The Receiver also collected thousands of documents, talked with creditors and investors, and worked with various counsel in an attempt to locate assets for distribution to stakeholders. The Receiver’s work will continue beyond the Reporting Period in order to (i) analyze and take additional steps with respect to information and assets collected and preserved and (ii) supplement her investigation for the benefit of all stakeholders.

² “**Liquidation Plan**” is defined in the Receivership Order as “a plan for the fair, reasonable, and efficient recovery and liquidation of all remaining, recovered, and recoverable Receivership Property.” *See* Receivership Order at ¶ 50.

III.
SUMMARY OF RECEIVERSHIP ACTIVITIES TO DATE

A. Reporting Period Activities

12. During the Reporting Period, the Receiver took swift action to maintain the *status quo* and preserve the Receivership Estate. Some of the actions the Receiver and her team have taken included:

- (a) Changing the locks at Defendant Wammel's primary residence and taking an initial inventory of the assets located therein;
- (b) Collecting and/or forwarding all mail from the primary residence to the Receiver and establishing protocol for handling of incoming mail;
- (c) Conferring with Defendant Wammel's counsel to discuss going-forward issues;
- (d) Investigating and securing storage units leased by Defendant Wammel and taking an inventory of the assets located therein;
- (e) Investigating and securing real property and personalty of the Wammel Defendants located at additional addresses;
- (f) Investigating and securing aircraft and more than 8 vehicles owned by the Wammel Defendants;
- (g) Engaging Ernst & Young ("E&Y") to inventory and image electronic devices seized at the Wammel residence;
- (h) Engaging Veritas Advisory Group, Inc. ("Veritas") to perform forensic accounting and coordinating appropriate follow up with respect to various identified accounts and/or persons or entities of interest discovered;
- (i) Taking steps to secure the office location of Defendant Wammel Group, LLC in Dickinson, Texas;
- (j) Communicating with relevant valuation consultants regarding inventoried personalty, including on-line auction house and gun consultant;
- (k) Establishing a line of communication with investors by updating the Receiver's website (<http://bucfreceivership.tklaw.com>) and providing Wammel Defendants' investors of the Receivership Order;
- (l) Commencing review of production served on the SEC in advance of the SEC filing the Complaint and any supplemental productions thereafter;

- (m) Conducting research as to persons and entities of interest, including the Relief Defendants and companies owned (beneficially or otherwise) or operated by Defendant Wammel, based on the Receiver's investigation;
- (n) Seeking and/or reviewing information from named Relief Defendants and other persons and entities of interest based on the Receiver's investigation; and
- (o) Prepared for and obtained preliminary injunction against the Wammel Defendants requiring their compliance with the Receivership Order.

B. Physical Assets – Residence and Personalty

13. Upon her appointment, the Receiver took possession of the primary residence of Defendant Wammel. Defendant Bryant lived in a home located in a Houston suburb. Defendant Wammel occupied the home pursuant to a lease, and thus the Receiver was required to coordinate with the owner/landlord of the residence to, among other things, change the locks on the home. Upon taking possession of the residence, the Receiver's team performed an initial inventory, which included some items of interest such as guns, watches, jewelry, and various furniture, furnishings, accessories and electronics.³

14. The Receiver negotiated with counsel to Defendant Wammel to allow Defendant Wammel limited access to the residence in order to remove clothing and similar personal property that the Receiver believes was of inconsequential value.

15. The Receiver secured multiple (combined) storage units that contained several vehicles that, on information and belief, are owned by Defendant Wammel, as well as minor personal property.

16. The Receiver secured the aircraft belonging to the Wammel Defendants.

17. The Receiver secured two additional real properties owned by the Wammel

Defendants.

³ The Receiver will provide a more detailed inventory of identified assets in her first quarterly status report and/or the Liquidation Plan.

18. The Receiver has further investigated and will continue to search for the existence of additional property.

C. Assets and Liabilities – Failure to Disclose by the Receivership Estate

19. The Receiver continues her investigation into assets and liabilities of the Wammel Defendants. During the Reporting Period, the bulk of the information regarding the Wammel Defendants' assets and liabilities was either (i) gathered through the on-site inspection of the various premises described above (the Wammel home, etc.) or (ii) provided by records produced to the SEC and mail received by the Receiver (as a result of the mail forwards described above). The Receiver is actively seeking to supplement her investigation by reviewing mail received, documents submitted, and requesting additional information from various sources, including, if necessary, pursuant to subpoenas issued to financial institutions and/or depositions of persons or representatives of entities of interest.

20. The Receiver's investigation has not had the benefit of the reports that the Wammel Defendants were required to file pursuant to the Receivership Order (i.e., the initial statement regarding property, which was due July 31, 2017 (the "**First Statement**") or the statement regarding property (the "**Second Statement**"), which was due August 8, 2017. *See* Receivership Order at paras. 9 and 10. The Receiver understands that Defendant Wammel has invoked his Fifth Amendment privilege against self-incrimination in response to these provisions in the Receivership Order. Nevertheless, however, counsel for the Wammel Defendants have been cooperative and continue to confer with the Receiver and her counsel with respect to the location, identification, securing, and return of various Receivership assets.

21. The Receiver has not received copies of the Receivership Defendants as-filed tax returns, or of any relevant and necessary underlying documentation, as required by paragraph 11

of the Receivership Order for the taxable years of 2010-2016. These documents were due August 8, 2017. The Receiver understands that Defendant Wammel has invoked his Fifth Amendment privilege against self-incrimination in response to this provision in the Receivership Order.

D. Cash on Hand / Administrative Expenses

22. **Cash on Hand.** The Receiver has been actively searching and working with Veritas to account for Wammel Defendants' accounts. The Receiver does not have cash on hand in an amount equal to investments.

23. Rather, the Receiver has approximately \$30,000⁴ in the account the Receiver has opened pursuant to the Receivership Order (the "**Receivership Account**"). The Receiver will also deposit an additional \$9,300, which was recently obtained by the Receiver during the course of her investigation into the Wammel Defendants.⁵

24. There are additional funds in the accounts frozen as a result of the asset freeze, but those funds remain frozen at the relevant financial institutions (*see* footnote 4).

25. In addition, the Receiver is continuing to investigate the existence of other accounts that are not frozen that may either hold the Wammel Defendants' funds or hold funds for the benefit of the Receivership Defendants.

26. **Administrative Expenses.** The Receiver has incurred certain administrative expenses as a result of her efforts to marshal and preserve the Receivership Estate and/or due to recurring charges that remain from the Wammel Defendants' prior obligations. For example, the Receiver has incurred expenses for her legal counsel and the forensic accountant that have

⁴ This amount does not include the over \$260,000 in funds of the Receivership Defendants that remain frozen due to the asset freeze in effect pursuant to the Receivership Order.

⁵ This amount does not include the nominal amount of cash inventoried by the Receiver at Defendant Wammel's home on the date of the home seizure.

worked diligently during the Reporting Period to address the myriad issues that have arisen, including preparation for the aforementioned preliminary injunction hearing. The Receiver has also incurred expenses such as changing locks of the Bryant residence and storage units, and imaging electronic devices.

27. The Receiver is also in the process of working further to *decrease* Receivership Estate expenses. To this end, the Receiver is working to terminate all known recurring expenses such as ongoing utility or related expenses at the Wammel residence, terminating the lease in Kemah, Texas, and any other internet, electricity and other utilities at the home and offices of the Receivership Estate.

28. The Receiver is also in negotiations with the owner/landlord of the Wammel home in order to terminate the lease and further reduce Receivership Estate expenses.

29. The Receiver is mindful of the administrative costs burden associated with this case in light of the relatively low value of the readily identifiable assets of the Receivership Estates identified by the Receiver. The Receiver is balancing these concerns with the need to marshal the Receivership Assets for the benefit of investors and other interested stakeholders.

30. **Disbursements.** The Receiver has not made any disbursements directly from the Receivership Accounts.

E. 28 U.S.C. § 754 Property

31. The Receiver is investigating whether the Receivership Estate has any additional leases or property outside of the Eastern District of Texas or Southern District of Texas.

32. On July 26, 2017, the Receiver filed a notice of receivership and copy of the SEC Application and the Receivership Order in the Southern District of Texas pursuant to 28 U.S.C. § 754.

33. The Receiver will continue to file a notice of receivership and copy of the SEC Application and the Receivership Order in each jurisdiction in which the Receiver suspects the Receivership Defendants may own assets by August 28, 2017, in accordance with the Order Extending 28 U.S.C. § 754 [Dkt No. 25].

F. Claims Held By Receivership Estate

34. The Receiver received a substantial amount of bank records and bank statements relating to the prior years of Defendant Bryant, BUCF, and related entities. The Receiver is very early in her investigation of these records and the potential legal impact on the Receivership. The Receiver is utilizing the assistance of forensic accountants with respect to this analysis.

G. Known Creditors/Investors

35. **Creditors.** Though the Wammel Defendants have not provided a full accounting as required by the Receivership Order, the Receiver is taking steps based on discussion with the Wammel Defendants' counsel, mail received, and documents produced to make informal information requests and to prepare subpoenas of records from certain credit card companies and financial institutions of account statements and account balances of the Wammel Defendants and the Bryant United enterprise, which the Receiver expects to serve in the near future. Responses to those subpoenas may reveal additional creditors of the Receivership Estates.

36. **Investors.** The Receiver has compiled a list of investors from information produced to the SEC and/or provided by investors that have contacted the Receiver. The Receiver has not independently verified that each person listed is, in fact, an investor, or the invested amounts. The Receiver's initial investigation shows that there are approximately 16 investors in Wammel Group (in addition to BUCF) that have invested no less than \$28 million with the Wammel Group (and its related investment vehicles).

37. The Receiver has communicated with investors who contacted the receiver by mail, email or telephone. The Receiver would like to encourage all investors to contact the Receiver through mail and/or e-mail.

38. **Claims Procedure.** The Receiver has not yet requested the Court approve a creditor/investor claims procedure. The Receiver will request approval of creditor/investor claims procedure only after the Receiver has confirmed that there will be assets available for distribution.

IV.
**PROPOSED PLAN FOR ADMINISTERING THE RECEIVERSHIP, INCLUDING
DEADLINE FOR SUBMISSION OF LIQUIDATION PLAN**

39. The Reporting Period covers only one month since the expansion of the Receivership. As such, while the Receiver has seized control of readily identifiable assets and operations and begun her diligence of identifying additional assets and liabilities, it is too soon to make a final recommendation as to how the entirety of the Receivership Estate should be resolved.

40. On July 28, 2017, the Receiver filed her *Motion of Receiver (I) for Order Authorizing Liquidation of Furniture, Fixtures, Equipment, and Other Items and Termination of Certain Leases, (II) to Approve Procedures to Sell Certain Personal Property, and (III) to Release Funds from Certain Frozen Bank Accounts into the Receiver's Account*, which comprehensively explained her proposed plans to liquidate certain Receivership Assets of the Bryant Defendants in order to reduce Receivership expenses and preserve value for the Receivership Estate. *See* Dkt. No. 66.

41. Because the Receiver is continuing to identify additional assets and liabilities of the Wammel Defendants, the Receiver recommends that the receivership continue to allow the Receiver additional time to locate and secure assets and to make a recommendation for further

actions by the Receiver pursuant to the Receivership Order. The Receiver expects that as the Receivership continues, she will be finalizing her review of produced documents, supplementing the information discovered (or lack thereof) by issuing information or compliance requests and/or subpoenas and instituting any necessary related motion practice, including motions to compel, analyzing the forensic data gathered, and taking steps to confirm additional Receivership Assets discovered and/or expand the Receivership Estate to include various related entities and/or property.

42. The Receiver will continue the activities described herein, and expects to file a Liquidation Plan within 60 days of her submission of this Initial Report. The Receiver will also file the required Second Quarterly Report on or before October 30, 2017.

Dated: August 18, 2017.

Respectfully submitted,

By: /s/ Timothy E. Hudson

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CERTIFICATE OF SERVICE

I hereby certify that on August 18, 2017, I electronically filed the foregoing document with the Clerk for the United States District Court, Eastern District of Texas. The electronic case filing system (ECF) will send a Notice of Electronic Filing (NEF) to the attorneys of record who have consented in writing to accept this Notice as service of this document by electronic means. The foregoing document will also be sent to all counsel of record via the method identified below.

/s/ Timothy E. Hudson

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