UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.: 23-24903-CIV-JB

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

RISHI KAPOOR, et al.,

Defendants.
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RECEIVER'S REPLY IN SUPPORT OF MOTION TO APPROVE SETTLEMENT AGREEMENT WITH HALPERN PARTIES AND SALE OF VILLA VALENCIA UNIT 1301 PROPERTY TO HALPERN BUYER FREE AND CLEAR

Bernice C. Lee, as the Court-appointed Receiver ("Receiver") over the Receivership Companies,[1] submits this reply in support of her Motion to Approve Settlement Agreement with Halpern Parties and Sale of Villa Valencia Unit 1301 Property to Halpern Buyer Free and Clear ("Valencia Settlement Motion") (Dkt. No. 556), and to address the Objection and Reservation of Rights (Dkt. No. 570) filed by non-party Mironest CG, LLC ("Mironest").[2]

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[1] The Receivership Companies include: Location Ventures, LLC, URBIN, LLC, Patriots United, LLC; Location Properties, LLC; Location Development, LLC; Location Capital, LLC; Location Ventures Resources, LLC; Location Equity Holdings, LLC; Location GP Sponsor, LLC; 515 Valencia Sponsor, LLC; LV Montana Sponsor, LLC; URBIN Founders Group, LLC; URBIN CG Sponsor, LLC; 515 Valencia Partners, LLC; LV Montana Phase I, LLC; Stewart Grove 1, LLC; Stewart Grove 2, LLC; Location Zamora Parent, LLC; URBIN Coral Gables Partners, LLC; URBIN Coconut Grove Partners, LLC; URBIN Miami Beach Partners, LLC; and URBIN Miami Beach II Phase 1, LLC.

[2] Mironest is an entity which entered into a pre-receivership $6 million purchase agreement for a condominium unit at the Villa Valencia condominium project ("Valencia Building") owned by 515 Valencia SPE, LLC ("Valencia SPE"), which in turn is owned and managed by 515 Valencia Partners, LLC ("Valencia Partners"), a Receivership Company. Mironest is not a party to the receivership case, though this Court has permitted it to file papers in connection with particular

Through the Valencia Settlement Motion, the Receiver seeks approval of a transaction which would (1) settle and resolve the claims asserted by the Halpern Parties[3] with respect to Valencia SPE, the Valencia Building, and all units therein; and (2) in conjunction therewith, dispose of Unit 1301 in the Valencia Building, the unfinished penthouse unit which the Receiver has been marketing for sale during two periods over nearly two years. The proposed settlement realizes a higher value than any other offer that has been made to the Receiver for Unit 1301, and represents a substantial, multi-million dollar compromise of the claims that would otherwise be asserted by the Halpern Parties in connection with the Valencia Building.

In its Objection, Mironest argues: (1) that the Halpern Parties should not be permitted to credit bid; (2) that the Halpern Parties' claims should be equitably subordinated; and (3) that if allowed to credit bid, the Halpern Parties should be required to post security. (Dkt. No. 570). In support, Mironest relies on arguments and assertions which are often incomplete and contradictory.

1. The Settlement and Sale.

The Halpern Trusts assert a claim of approximately $13.6 million as of June 1, 2025 arising from loans made between April 2019 and July 2021 secured by the Valencia Building.[4] The

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proceedings relating to the Villa Valencia project. The Receiver has been engaged in ongoing negotiations with Mironest regarding the potential purchase of the condominium unit for which it had a pre-receivership purchase agreement.

[3] Capitalized terms not defined here have the meanings given in the Valencia Settlement Motion.

[4] Mironest argues there is an unexplained discrepancy between the Halpern Trusts' asserted claim of $13.6 million as of June 1, 2025 and the Valencia Settlement Motion's recitation that the Halpern Trusts loaned $31 million and received approximately $29.5 million in payments prior to the commencement of the receivership. Dkt. No. 570 at 5. The difference, obviously, is interest accrual on loans first made in 2019, for which repayment only commenced in 2022 as unit sales started to close.

Halpern Trusts could also assert claims for additional interest accrual of between $1.1 million (contract rate) and $1.7 million (default rate) per annum since June 1, 2025, fees and costs under the loan documents, and approximately $3.1 million in deposits for unit purchase contracts at the Valencia Building which the Halpern Parties represent were not returned to them. Those claims in total could amount to in excess of $18.4 million.

The Receiver has considered and evaluated the prospect of seeking to limit, subordinate or disallow those claims, based on arguments as to how payments should be applied and how interest should be calculated on the claims, the Halpern Parties' relationships with the Receivership Companies, and certain of their transactions with the Receivership Companies. That evaluation has included consideration of the timing, circumstances, documents and other information relating to the loans secured by the Valencia Building and the unit purchase contracts at the Valencia Building, as well as the Halpern Parties' other relationships and transactions with the Receivership Companies. In consideration of the potential objections that could be made to the Halpern Parties' claims in connection with the Valencia Building, the parties have agreed to a compromise by which the Halpern Parties accept title to Unit 1301 (subject to payment of a $45,000 carve-out to the Receivership Estate, and payment of all unpaid real estate taxes and all closing costs), and to reduce their remaining secured claim to $2.2 million, which will be subject to further order of the Court. Based on the $7 million valuation for Unit 1301 reflected in the settlement,[5] the settlement represents a reduction of at least approximately $8.7 - $9.2 million to the claims that otherwise would be assertable by the Halpern Parties in connection with the Valencia Building.

[5] Mironest argues that the $7 million value ascribed in the settlement may overstate the value of Unit 1301, which is discussed further below.

That compromise (1) substantially reduces the potential claims assertable by the Halpern Parties in connection with the Valencia Building (by approximately 50% if not more); (2) enables the Receiver to dispose of Unit 1301 for a value which substantially exceeds any offer received from any other prospective purchaser; and (3) positions the Receiver to realize additional value from the Valencia Building from the funds remaining in the Valencia Lien Claim Fund and the sale of the remaining Unit 1202.

2. Mironest's Objection.

Mironest does not dispute that the Court has the power to approve a sale of estate property. *See, e.g.*, Clark on Receivers 482 (3d ed. 1992), citing *First Nat'l Bank v. Shedd*, 121 U.S. 74, 87, 7 S.Ct. 807, 814 (1887); *Miners' Bank of Wilkes-Barre v. Acker*, 66 F.2d 850, 853 (3d Cir. 1933); *U.S. v. Brewer*, No. 3:07-cr-90-J-33HTS, 2009 WL 1748504, at *5 (M.D. Fla. Jun. 19, 2009); *Sec. & Exch. Comm'n v. Harbor City Capital Corp.*, No. 6:21-cv-694-CEM-DCI, 2023 WL 1105282 (M.D. Fla. Jan. 30, 2023); *Sec. & Exch. Comm'n v. Kapoor*, No. 23-24903-CIV-JB, 2024 WL 5264414 (S.D. Fla. Nov. 7, 2024). Nor does Mironest dispute that the Receiver has the power to settle claims, subject to the Court's approval. *See, e.g.*, *Sterling v. Stewart*, 158 F.3d 1199, 1201 (11th Cir. 1998) (approving settlement because receiver acted in good faith and conducted adequate investigation and settlement was fair); *Sec. & Exch. Comm'n v. 1 Glob. Cap. LLC*, 2018 WL 8050527, at *2 (S.D. Fla. Dec. 27, 2018) (receiver's settlement reviewed for fairness, reasonableness and adequacy); *Sec. & Exch. Comm'n v. Quiros*, No. 16-cv-21301-GAYLES, 2016 WL 9254719, at *2 (S.D. Fla. Oct. 18, 2016) (Gayles, J.) (approving settlement as fair, adequate and well within the range of reasonableness).

Rather, Mironest's Objection to the Valencia Settlement Motion argues that the Halpern Parties' claims should be subordinated, and therefore the Halpern Parties should be not be permitted any credit bid for Unit 1301. Mironest's objections seem to take complete disallowance or subordination of the Halpern Parties' claims as a "fait accompli," while treating substantial, material concessions only as evidence of Mironest's own conclusion rather than as evidence of a compromise of disputed claims.

With respect to the Valencia Building, the heart of Mironest's argument is that the Halpern Parties, in early 2020, entered into purchase agreements for four units in the Valencia Building which Mironest describes as "illusory" and "inflated." Dkt. No. 570 at 3, 6, 10, 15, 17, 20. Mironest claims that these purchase agreements demonstrate that Halpern "irrefutably participated in fraud at the Villa Valencia condominium project." *Id.* at 1. What Mironest describes as the "Valencia fraud" here is not Kapoor's misappropriation of funds from Location Ventures projects for his personal benefit in 2021 and 2022, nor Kapoor's commingling and diversion of funds from projects to make payments to certain investors in late 2022 and early 2023 (as described in the S.E.C.'s initial Complaint in this action, and in Mr. Kapoor's proffer in his criminal case). Rather, it is Mironest's theory that in early 2020 as the COVID-19 pandemic spread, Halpern's deposits on the four unit purchases avoided a default on the senior loan and propped up the values of the Valencia Building units, but for which none of the subsequent misconduct, including delays in the completion of the Valencia Building, as well as the misappropriation, commingling, and diversion, would have occurred. (Dkt. No. 570 at 3-4).

With regard to these purchase agreements, the Receiver has considered the following: (1) notwithstanding Mironest's description of them as "illusory" and "inflated," the Halpern Family Trust entered into a sale contract on May 22, 2020 for Unit 1004 for $2.66 million, the sale price was increased to $3.23 million when the sale closed in June 2022, the closing statement required $3,288,035 to close (consisting of the sale price, developer fee and closing costs), and the closing price was paid via $1,469,853.73 Martin Halpern provided to the closing agent and application of $1,818,181 from the total $5 million deposit provided in connection with the four unit purchase contracts; (2) the purchase prices agreed to by multiple other buyers of units at the Valencia Building prior to May 2020 are not materially different from those provided by the purchase agreements and in fact may be higher (for example, a buyer entered into a sale contract on October 31, 2019 to purchase Unit 1002 for $2.8 million and the property appraiser's website indicates that the sale closed on July 12, 2022 for $2.969 million, and a buyer entered into a sale contract on July 30, 2019 to purchase Unit 1101 for $2.72 million and the property appraiser's website indicates the sale closed on June 23, 2022 for $2,846,900); (3) the Halpern Parties have represented and warranted that they did not receive any return of the remaining deposits of $3,181,819 from the Receivership Companies (and the Receiver has not identified any information evidencing to the contrary); and (4) the settlement does not allow or preserve any claim by the Halpern Parties on account of the $3,181,819 in deposits that were not returned to the Halpern Parties. Under the settlement, there is no need to recharacterize or subordinate the deposit amounts claimed by the Halpern Parties because the settlement effectively disallows any claim by the Halpern Parties in connection with the unpaid $3,181,819 in deposits. The proposed settlement eliminates the deposit claims in their entirety without the attendant risk, challenges, delays, and expense of litigating whether the transactions evidence participation in a fraud and caused future losses to investors and other parties.

Mironest implicitly acknowledges that the settlement does not provide the Halpern Parties with any claim for the $3,181,819 in deposits they provided to Valencia SPE and were not repaid, but argues that the compromise of that claim merely "confirms their culpability." Dkt. No. 570 at 10, n. 8. Under this argument, it would be impossible to demonstrate the reasonableness of any settlement, because any compromise short of complete capitulation would only serve as evidence of the parties' wrongdoing.

Mironest also argues that the Valencia Settlement Motion "provides no basis for the Court to determine whether the value being provided by the Halpern Buyer reflects the greatest possible value to the 515 Valencia estate for Unit 1301," contending that the Receiver did not properly market the unit and that the $7 million credit bid potentially over-values the unit. Dkt. No. 570 at 4-5. Contrary to Mironest's argument, the Receiver obtained an appraisal of Unit 1301 shortly after her appointment, Dkt. No. 113, 116, retained a broker and listed Unit 1301, Dkt. No. 187, 189, subsequently replaced the broker and re-listed Unit 1301, Dkt. No. 438,[6] and periodically adjusted the listing price, in consultation with the brokers and in consideration of the information available to her. As the Valencia Settlement Motion indicates, the $7 million credit bid substantially exceeds the value of any other offer made for Unit 1301. Again, instead of recognizing this as a benefit of the proposed settlement, Mironest seeks to characterize it as a "red flag."[7] Dkt. No. 570 at 5. But if the settlement "over-values" Unit 1301, that only inures to the benefit of the receivership estate and is not a legitimate basis for objection.

Mironest also references the Halpern Parties' loan transactions in connection with the Commodore Property. (Dkt. No. 570 at 2, 3, 9). The Receiver will note that the Halpern Parties' claims with respect to the Commodore Property were already addressed by a settlement which

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[6] The broker was also engaged to market Unit 1201 and successfully procured a purchaser for Unit 1201 for a sale which closed after Court approval. Dkt. No. 513.

[7] As with the elimination of any claim arising from the unreturned deposits, Mironest argues that the substantial concessions made by the Halpern Parties should be treated not as evidence that the settlement is fair and reasonable, but only as evidence of culpability: "Nor would a legitimate, arms-length purchase pay such an exorbitant price AND compromise $8.7 million of its claims if those claims were legitimate." Dkt. No. 570 at 5.

similarly effectuated a substantial discount of their recovery on those claims. *See* Dkt. No. 333. And indeed, in connection with the Commodore Property, the Court has already dealt with an objection that was in substance virtually identical to that raised by Mironest here.

In connection with the Commodore Property, the Receiver negotiated a settlement by which the Halpern Trusts, which held a first mortgage position against the property, agreed to (1) accept a substantially reduced payoff on their secured claim in the event of a sale to a third party, and (2) agreed to a back-up sale by credit bid of their debt, as well as a cash carve-out payment to the receivership estate, in the event that the third party buyer did not close. (Dkt. No. 310). Certain investors (the "CG Investors") in the entity that ultimately owned the Commodore Property, Urbin Coconut Grove Partners, LLC, objected that the Court could not approve a sale by credit bid because the Halpern Parties' liens were disputed – the same argument raised by Mironest here. (Dkt. No. 315). In its Order approving the settlement, the Court overruled that objection:

> The CG Investors' objection that a challenged lien cannot support a credit bid disregards that the settlement which is the subject of the Motion represents a resolution of any lien dispute for purposes of distribution of the proceeds of a sale under the Commodore Sale Motion, if approved, or for purposes of a credit bid under the Halpern Back-Up Sale Contract.

(Dkt. No. 333 at 11). The same result obtains here. The settlement incorporated into the Valencia Settlement Motion represents a compromise and resolution of the Halpern Parties' secured claim against the Valencia Building, among other things. Mironest's objection that the credit bid should not be permitted because the Halpern Parties' lien is subject to dispute disregards that the approval of the settlement effectively resolves the lien dispute.

<u>Conclusion</u>

The Court should approve a settlement where the settlement is fair, adequate, and within the range of reasonableness. The Receiver respectfully submits that the settlement that is incorporated in the Valencia Settlement Motion is fully consistent with that standard. The Receiver has considered and evaluated the prospect of pursuing objections to, and seeking disallowance or subordination of, the Halpern Parties' claims, and has negotiated a resolution which effectuates a substantial, material, multi-million dollar discount and waiver of those claims, enables the Receiver to dispose of Unit 1301 for a value greater than any other offer received, and preserves the possibility of realizing additional value through the Valencia Lien Claim Fund and the remaining unit left to be sold. The Court should overrule Mironest's Objection and grant the Valencia Settlement Motion.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served this 24th day of August, 2026 via CM/ECF upon all counsel of record.

By: /s/ *David L. Rosendorf*
David L. Rosendorf