

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

Case No. 8:09-cv-0087-T-26TBM

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, LLC,

Relief Defendants.

THE RECEIVER'S EIGHTH INTERIM REPORT

Receivership Information and Activity from October 1, 2010 through December 31, 2010.

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INTRODUCTION

Burton W. Wiand, the Court-appointed Receiver for the Receivership Entities as defined herein, hereby files this Eighth Interim Report (the “**Report**”) to inform the Court, the investors, and others interested in this Receivership, of activities from October 1, 2010 through December 31, 2010 as well as the proposed course of action.¹ As of the date of filing this Report, the Court has appointed Burton W. Wiand as Receiver over the following entities and trust:

- a) Defendants Scoop Capital, LLC (“**Scoop Capital**”) and Scoop Management, Inc. (“**Scoop Management**”) (which, along with Arthur Nadel, are collectively referred to as “**Defendants**”);
- b) Relief Defendants Scoop Real Estate, L.P. (“**Scoop Real Estate**”); Valhalla Investment Partners, L.P. (“**Valhalla Investment Partners**”); Victory IRA Fund, Ltd. (“**Victory IRA Fund**”); Victory Fund, Ltd. (“**Victory Fund**”); Viking IRA Fund, LLC (“**Viking IRA Fund**”); and Viking Fund LLC (“**Viking Fund**”) (collectively referred to as the “**Hedge Funds**”);
- c) Relief Defendants Valhalla Management, Inc. (“**Valhalla Management**”), and Viking Management, LLC (“**Viking Management**”) (which, along with Scoop Capital and Scoop Management, are collectively referred to as the “**Investment Managers**”); and
- d) Venice Jet Center, LLC; Tradewind, LLC; Laurel Mountain Preserve, LLC; Laurel Preserve, LLC; Laurel Mountain Preserve Homeowners Association, Inc.; Marguerite J. Nadel Revocable Trust UAD 8/2/07; Guy-Nadel Foundation, Inc.; Lime Avenue Enterprises, LLC; A Victorian Garden Florist, LLC; Viking Oil & Gas, LLC; Home Front Homes, LLC; and Traders Investment Club.

The foregoing entities and trust are collectively referred to as the “**Receivership Entities.**”

¹ Unless otherwise indicated, the information reported herein reflects the information in the Receiver’s possession as of December 31, 2010.

The Receiver was appointed on January 21, 2009. By January 26, 2009, the Receiver established an informational website, www.nadelreceivership.com. The Receiver has updated this website periodically and continues to update it with the Receiver's most significant actions to date; important court filings in this proceeding; and other items that might be of interest to the public. This Report, as well as all previous and subsequent reports, will be posted on the Receiver's website.

Overview of Significant Activities During this Reporting Period

During the time covered by this Interim Report, the Receiver and his Professionals engaged in the following significant activities:

- Continued to pursue litigation for (1) the recovery of false profits from investors (i.e., from "Profiteers"); (2) the recovery of distributions from Receivership Entities to Neil and Sharon Moody, Donald and Joyce Rowe, and certain of their affiliated entities; (3) the recovery of other distributions, such as commissions, from other individuals and/or entities; and (4) the recovery of certain charitable contributions made with scheme proceeds;
- Reached **22** settlements for a total sum of **\$2,422,338.22** and engaged in efforts that led to the settlement of eleven additional cases as of March 10, 2011, for a further amount of \$2,143,238.29. As of December 31, 2010, the Receiver had reached agreements to settle with 98 Profiteers for a total amount of \$14,131,707.69. As of March 10, 2011, the Receiver has reached agreements to settle with **109** Profiteers for a total amount of **\$16,274,945.98**;
- Maintained Receivership funds in appropriate accounts and certificates of deposit ("CDs"). As of March 14, 2011, the total funds in all Receivership accounts, including CDs, are approximately **\$18,599,540.66**;
- Filed the appropriate federal tax forms on behalf of Chris Moody, Neil Moody, Marguerite Nadel, and Sharon Moody seeking refunds in the total amount of approximately **\$3,737,243**;
- Successfully recovered **\$417,964** in federal tax refunds issued for Sharon Moody for the years 2004 through 2007;

- Acquired possession of real property in Evergreen, Colorado and other miscellaneous items including jewelry, furnishings and antiques as a result of the Receiver's settlement with Sharon Moody;
- Obtained ownership through foreclosure and a judicial sale of a condominium located on North Jefferson Avenue in Sarasota, Florida;
- Continued to operate ongoing businesses, and where possible, enhance the value of those businesses resulting in the generation of more than \$168,421.14 in gross business income;
- Generated \$70,651.61 in interest/dividend income; \$2,363,610.06 in third-party litigation income; and \$417,964.00 in other income;
- Entered into an agreement in principle with Neil Moody wherein he agreed to cooperate with the Receiver to effect the orderly transfer of all of his assets and to provide assistance, as necessary, in connection with the Receiver's efforts to recover monies from third parties;
- Worked on recovering assets in the possession of Neil Moody;
- Sold a 1978 Cessna 152 Aircraft for \$9,000;
- Pursued the Receiver's malpractice action against Holland & Knight, LLP, including successfully overcoming motions to dismiss; the complaint seeks to recover as much as possible of the approximately \$168 million of out-of-pocket losses suffered by investors and trial is expected to occur after November 1, 2011; and
- Continued work on the claims process, including the review and analysis of more than 500 Proof of Claim Forms.

The above activities are discussed in more detail in the pertinent sections of this Interim Report.

BACKGROUND

I. Procedure and Chronology.

Defendant Arthur Nadel ("Nadel") was the Hedge Funds' principal investment advisor and an officer and director of Scoop Management and sole managing member of

Scoop Capital. On or about January 14, 2009, Nadel fled Sarasota County and disappeared for nearly two weeks.

On January 21, 2009, the Commission filed a complaint in this Court charging the Defendants with violations of federal securities laws (the “**Commission Proceeding**”). In this Proceeding, the Commission alleged that Nadel used the Investment Managers to defraud investors in the Hedge Funds from at least January 2008 forward by “massively” overstating investment returns and the value of fund assets to investors in these funds and issuing false account statements to investors. The Commission also asserted that Nadel misappropriated investor funds by transferring \$1.25 million from Viking IRA Fund and Valhalla Investment Partners to secret bank accounts. The Court found the Commission demonstrated a *prima facie* case that the Defendants committed multiple violations of federal securities laws.

On April 6, 2009, Nadel filed his answer and affirmative defenses, in which he denied nearly every allegation in the Complaint and set forth two affirmative defenses. (Doc. 104.) Nadel also purported to set forth a “Counterclaim,” which the Court struck on the Receiver’s motion. (Docs. 111, 112.) On August 17, 2010, the Commission moved the Court to approve a consent judgment against Nadel and filed Nadel’s consent to the same. (Doc. 457.) On August 18, 2010, the Court entered a Judgment of Permanent Injunction and Other Relief against Nadel (“**Judgment**”). (Doc. 460.) The Judgment permanently enjoins Nadel from further violations of the antifraud provisions of the federal securities laws and orders Nadel to pay disgorgement of ill-gotten gains with prejudgment interest and a civil penalty in amounts to be determined by the Court upon the Commission’s motion.

On January 21, 2009, the same day the Commission filed its complaint, the Court entered an order appointing Burton W. Wiand as Receiver for the Investment Managers and Hedge Funds (the “**Order Appointing Receiver**”). (*See generally* Order Appointing Receiver (Doc. 8).) Between January 27, 2009, and August 9, 2010, on the Receiver’s motions, the Court entered orders expanding the scope of receivership to include additional entities as follows:

January 27, 2009 (Doc. 17)	Venice Jet Center, LLC Tradewind, LLC
February 11, 2009 (Doc. 44)	Laurel Mountain Preserve, LLC Laurel Preserve, LLC Marguerite J. Nadel Revocable Trust UAD 8/2/07 Laurel Mountain Preserve Homeowner Association, Inc.
March 9, 2009 (Doc. 68)	Guy-Nadel Foundation, Inc.
March 17, 2009 (Doc. 81)	Lime Avenue Enterprises, LLC A Victorian Garden Florist, LLC
July 15, 2009 (Doc. 153)	Viking Oil & Gas, LLC
August 10, 2009 (Doc. 172)	Home Front Homes, LLC
August 9, 2010 (Doc. 454)	Traders Investment Club

On June 3, 2009, January 19, 2010, and September 23, 2010, the Court entered orders Reappointing Receiver. (Docs. 140, 316, 493.) The January 21, 2009, June 3, 2009, January 19, 2010, and September 23, 2010 Orders will be referred to collectively as the “**Orders Appointing Receiver.**” Pursuant to the Orders Appointing Receiver, the Receiver has the duty and authority to: “administer and manage the business affairs, funds, assets, choses in action and any other property of the Defendants and Relief Defendants; marshal and safeguard all of the assets of the Defendants and Relief Defendants; and take whatever

actions are necessary for the protection of the investors.” (Orders Appointing Receiver at 1-2.)

On January 27, 2009, Nadel surrendered to the FBI in Tampa, Florida. Nadel was arrested and charged with two counts of securities fraud and wire fraud based on the fraudulent investment scheme discussed herein. Nadel was transferred to the Metropolitan Correctional Center in New York, New York to await trial in the United States District Court for the Southern District of New York. *U.S. v. Nadel*, Case No. 8:09-mj-01039 M.D. Fla. (Docs. 5, 6).

On April 28, 2009, Nadel was indicted on six counts of securities fraud, one count of mail fraud, and eight counts of wire fraud. The maximum sentence for each charge is 20 years of imprisonment. On February 24, 2010, Nadel pled guilty to all counts in the indictment. On October 21, 2010, Nadel was sentenced to 14 years in prison and assigned to the Butner Federal Correctional Complex near Raleigh, North Carolina.

II. The Receiver’s Role and Responsibilities.

The Receiver functions as an independent agent of the court. The United States Supreme Court has explained that:

[a receiver] . . . is an officer of the court; his appointment is provisional. He is appointed on behalf of all parties, and not of the complainant or of the defendant only. He is appointed for the benefit of all parties who may establish rights in the cause. The money in his hand is *in custodia legis* for whoever can make out a title to it . . . It is the court itself which has the care of the property in dispute. The receiver is but the creature of the court; he has no power except such as are conferred upon him by the order of his appointment and the course and practice of the court.

Booth v. Clark, 58 U.S. 322, 331 (1854). Generally, the Receiver is charged by the Court with maximizing investors' and creditors' recoveries. To this end, the Court directed the Receiver to engage in the following activities:

A. Operating the Business of the Receivership Entities.

The Court granted the Receiver the "full and exclusive power, duty, and authority" to "administer and manage the business affairs, funds, assets, choses in action and any other property of the Defendants and Relief Defendants" (Orders Appointing Receiver at 1.)

B. Taking Possession of Receivership Property.

The Court directed the Receiver to "[t]ake immediate possession of all property, assets and estates of every kind of the Defendants and Relief Defendants, whatsoever and wheresoever, located belonging to or in the possession of the Defendants and Relief Defendants" (Orders Appointing Receiver ¶ 1.)

C. Investigating Receivership Affairs and Recovering Funds.

The Court also directed the Receiver to "[i]nvestigate the manner in which the affairs of the Defendants and Relief Defendants were conducted and institute such actions and legal proceedings, for the benefit and on behalf of the Defendants and Relief Defendants and their investors and other creditors as the Receiver deems necessary against those individuals, corporations, partnerships, associations and/or unincorporated organizations, which the Receiver may claim have wrongfully, illegally or otherwise improperly misappropriated or transferred monies or other proceeds directly or indirectly traceable from investors in the Defendants and Relief Defendants" (Orders Appointing Receiver ¶ 2.)

D. Reporting on Assets and Liabilities and Implementing Claims Process.

The Court further directed the Receiver to “[p]resent to this Court a report reflecting the existence and value of the assets of the Defendants and Relief Defendants and of the extent of liabilities, both those claimed to exist by others and those the Receiver believes to be legal obligations of the Defendants and Relief Defendants” (Orders Appointing Receiver ¶ 3.) As contemplated by the Orders Appointing Receiver, on April 21, 2010, the Court granted the Receiver’s motion for institution of a claims process primarily for the benefit of the Receivership Entities’ investors who have been defrauded and suffered legitimate and verifiable losses as a result of the activities of Nadel and others (Doc. 391). The claims process is discussed in more detail in Section VI. below.

III. Overview of Findings To Date.

The Receiver has reviewed voluminous records from the Receivership Entities’ offices, as well as records from more than thirty (30) different institutions, including banks and brokerage firms. In connection with the Receiver’s ongoing investigation he is continuing to seek and obtain documents pertinent to the scheme and further analyze documents in his possession. The Receiver has formed conclusions based on his review of a substantial number of the records received. While these conclusions may change as the receipt and review of pertinent documents is completed, the Receiver does not believe any changes would be material.

In the Commission’s Emergency Motion and Memorandum of Law in Support of Temporary Restraining Order and Other Emergency Relief (Doc. 2) and supporting papers, the Commission presented evidence showing Nadel defrauded investors through his control

of the Hedge Funds' advisers and/or managers, Scoop Capital and Scoop Management. Through the Investment Managers, Nadel, along with the Moodys, was ultimately responsible for controlling the Hedge Funds' investment activities.

While the Commission's evidence showed that Nadel defrauded investors since at least January 2008, the Receiver's investigation uncovered evidence showing the fraud began at the inception of the first Hedge Fund, Valhalla Investment Partners, and likely earlier. Indeed, Nadel essentially admitted as much in several letters he wrote for family at the time of his disappearance in January 2009. In one letter in which he suggested how to calculate the Hedge Funds' investment losses he wrote, "go back as far as possible, to 1998 if we can, to Spear, Leeds & Kellogg from Goldman Sachs, and determine the actual trading losses," and added that his "recollection of the more recent losses, say from 2001 on, is about an average of about \$20M per year." In another letter, which was shredded, he wrote (emphasis added): "For more than ten [years] I have truly believed that [I could] trade my way out of this mess, and in 2008 did it finally penetrate my addled [brain] that this is not to be." In yet another letter, Nadel wrote, "[a]t first moderate profits were achieved, but by 1999 the volatile tech bubble created losses. When the bubble burst I began to 'doctor' the trading results." All of the above information shows that from 1999 and possibly earlier, Nadel was perpetrating his scheme.

A. The Ponzi Scheme.

The Receiver has discovered that from 1999 through 2008, over \$330 million was raised from approximately 687 investors on behalf of one or more of the Hedge Funds by Nadel and his entities, Scoop Management and Scoop Capital; by the rest of the Fund

Managers; and by the Moodys through the offer and sale of securities in the form of interests in Hedge Funds as part of a single, continuous Ponzi scheme.² As discussed below, Nadel grossly overstated the trading results of the Hedge Funds. Despite significantly lower, and typically negative yields (*i.e.*, trading losses), Nadel, the Moodys, and the Fund Managers falsely communicated to investors and potential investors, through monthly “statements,” Hedge Funds’ “Executive Summaries,” and other methods, that investments were generating positive returns and yielding between 10.97% and 55.12% per year. For most years, they falsely represented the investments were generating returns between 20% and 30%.

To perpetuate and perpetrate this scheme, Nadel caused the Hedge Funds to pay investors “trading gains” as reflected on their false monthly statements. The funds used to pay these trading gains were not generated from trading activities; rather they were generated from new or existing investors. Nadel further caused the Hedge Funds to pay tens of millions of dollars in fees. Those fees were based on grossly inflated returns, and thus, were improperly and wrongfully paid. The negative cash flow of the Hedge Funds made the eventual collapse of Nadel’s scheme inevitable.

² In past interim reports, the Receiver reported a lower number of total investors. The new number reported counts each person individually and any entity which may be associated with that individual as a separate investor. For example, an account in the name of Jane and John Doe would be counted as two investors. Further, if Jane and John Doe held an account in the name of the Jane and John Doe Family Trust, the trust would be counted as an additional investor for a total of three investors. The previously reported number included the above two accounts as one investor.

As mentioned above, on February 24, 2010, Nadel pled guilty to all counts in the indictment relating to this scheme and on October 21, 2010, was sentenced to 14 years in prison.

The Receiver also discovered that Nadel involved at least one of his investment clubs, Traders Investment Club (“Traders”), in his scheme. Nadel formed Traders in 1998 and purported to buy and sell securities on its behalf in an effort to generate trading profits. Aside from raising money for Traders from investors, the Receiver’s investigation revealed that Nadel funded Traders with unlawful transfers from the Hedge Funds. Specifically, Nadel improperly transferred at least \$1.9 million from the Hedge Funds to Traders. Further, representations Nadel made to Traders’ investors regarding investment performance were grossly overstated. Nadel also caused Traders to make distributions to investors that Traders’ investment performance never supported. Through those distributions, Nadel improperly and wrongfully diverted money from the Hedge Funds. For more information regarding Traders, see Section V.A.10 below.

B. Fictitious Trading Results.

The Receiver’s investigation has revealed that for each Hedge Fund, the Hedge Fund’s performance as disclosed to investors from 1999 forward was based mainly on trading results that Nadel purported to have in brokerage transactions cleared through Spear, Leeds & Kellog, LLC and its successor Goldman Sachs Group, Inc. (in which money was purportedly traded to generate the purported returns Nadel was paying). The returns reported to investors and potential investors were based on fictitious performance results that were

created by Nadel and then included in a database maintained by Scoop Management. These fictitious performance results formed the basis of gross misrepresentations to investors.

Below are details concerning the Hedge Funds' performance from September 1999 through year end 2008 and misrepresentations concerning that performance. **Table 1**, below, shows a comparison of actual trading results in the Hedge Funds' accounts to the values represented to investors and to distributions paid. Specifically, for each year from 1999 through 2008, the table lists, from left to right, (1) the pertinent year; (2) the amount of gains the Investment Managers represented that the Hedge Funds had achieved that year; (3) the actual combined total trading gain or loss experienced that year in the accounts for the Hedge Funds; (4) the difference between what the Investment Managers represented the Hedge Funds had achieved in performance versus the actual trading results in the Hedge Funds' accounts (identified as "Difference"); and (5) the actual distributions paid by the Hedge Funds for the pertinent year, including distributions to investors and management and performance incentive fees paid.³

³ Records currently in the Receiver's possession indicate that no distributions were made in 1999. In past Interim Reports, the Receiver reported a somewhat higher number for the amount of Distributions. This previously reported amount included purported "internal transfers" among "accounts" with different Hedge Funds. The currently reported Distributions numbers do not include these purported transfers.

Table 1: Gains/(Losses)

Year	Investment Managers' Represented Gains (\$)	Hedge Funds Actual Trading Performance(\$)	Difference (\$)	Distributions (\$)
1999	959,480	35,647	923,833	
2000	2,636,299	(2,882,463)	5,518,762	584,000
2001	2,560,961	(2,402,728)	4,963,689	1,147,584
2002	7,130,171	(3,012,774)	10,142,945	3,196,452
2003	23,716,749	19,843,624	3,873,125	7,961,233
2004	46,950,345	5,152,400	41,797,945	25,596,873
2005	61,169,058	6,064,172	55,104,886	70,647,030
2006	50,003,778	(18,549,355)	68,553,133	75,377,733
2007	54,665,571	(24,989,307)	79,654,878	50,863,789
2008	36,334,794	(2,493,654)	38,828,448	72,716,381
Total	286,127,206	(23,234,438)	309,361,644	308,091,075

Although not readily apparent from Table 1 above, the evidence in the Receiver's possession shows the Hedge Funds were insolvent from the first year they were in operation. Nadel distributed false profits to investors far in excess of their principal investment at a time when, as shown above, the Hedge Funds lost significant sums of money.

As **Table 1** shows, from their inception, the Hedge Funds' performance as represented to investors was significantly overstated and thus, false. Specifically, from the inception of the first Hedge Fund in 1999 through 2008, the Investment Managers represented that the Hedge Funds' trading activity generated more than \$286 million in gains when, in reality, the Hedge Funds' investment accounts actually lost approximately \$23 million. Further, while the Hedge Funds lost approximately \$23 million for this same period, more than \$308 million was paid by the Investment Managers in distributions to investors and to themselves and others as fees. As this table shows, the Investment Managers were making distributions and paying fees that the investment performance of the Hedge Funds never supported.

In furtherance of the scheme Nadel intentionally and wrongfully caused the Hedge Funds to pay investors purported trading gains. On at least a quarterly basis, Nadel and the Fund Managers caused the Hedge Funds to pay to investors sums of money that were equivalent to the trading gains purportedly earned by those investors as reflected in their "account statements." Similarly, in response to investors' requests for redemptions of their principal investments, in furtherance of Nadel's scheme he caused the Hedge Funds to pay the requesting investors sums of money equivalent to all or part of the principal invested by those investors. These (and all other) distributions which Nadel caused the Hedge Funds to make to investors were paid from fruits of the scheme. Specifically, money raised from new and existing investors was used to pay these false trading gains and redemptions.

The Investment Managers also were crediting fictitious profits to accounts where the accountholders were not taking distributions. These fictitious profits were likewise unsupported by the Hedge Funds' investment performance and served only to further increase the Hedge Funds' insolvency. This negative cash flow made the eventual collapse of Nadel's scheme inevitable.

In short, the investment returns and performance as represented to investors and potential investors from the inception of the Hedge Funds (as applicable based on then existing Hedge Funds) were false and based on grossly overstated performance numbers created by Nadel. The true results of the trading activity that actually occurred were never included in data reported to investors or potential investors.

C. Depletion of the Hedge Funds' Assets.

Evidence also shows that the Hedge Funds directly or indirectly paid substantial fees to Scoop Capital and Scoop Management, to other Receivership Entities, and to other third parties in the form of management, advisory, and/or profit incentive fees and “finder” fees. As reflected in **Table 2**, below, according to the Hedge Funds' documents, from 2001 through 2008 they paid approximately \$97,726,438 in total fees. Profit incentive fees were paid to Scoop Management, Viking Management, Valhalla Management, and third parties, based on a percentage of profits that never occurred. Such payments significantly depleted the Hedge Funds' assets and diverted those assets to Scoop Capital and Scoop Management, which were controlled by Nadel, and to Valhalla Management and Viking Management, which were controlled in name by Neil and Christopher Moody.

Table 2: Fees Paid from Hedge Funds to Investment Managers and Others

Year	Management Fees	Performance Incentive Fees	Total Fees
2001	721,728	124,723	846,451
2002	721,906	1,061,285	1,783,191
2003	997,967	3,440,759	4,438,726
2004	3,279,751	7,214,560	10,494,311
2005	4,784,428	12,869,824	17,654,252
2006	6,330,654	14,938,134	21,268,788
2007	6,369,072	14,238,590	20,607,662
2008	6,972,969	13,660,088	20,633,057
Total	30,178,475	67,547,963	97,726,438

Significant sums from the proceeds of Nadel's scheme also made their way into other accounts controlled by Nadel and/or his wife, Marguerite “Peg” Nadel. As of December 31, 2008, according to the balance sheet for Scoop Management, Scoop Management had transferred approximately \$17,177,896.56 to accounts owned either individually or jointly by the Nadels. These amounts are in addition to the amounts Mrs. Nadel received from Scoop

Management as compensation. According to its balance sheet, Scoop Management also transferred approximately \$6,433,804.40 to other entities controlled by Nadel. During the time the Hedge Funds operated, neither Nadel nor his wife had any source of income that was not in some manner funded with money from that scheme.

Documentation and other information that the Receiver has collected shows that money derived from the scheme was used by Nadel to purchase and/or fund other businesses. The Receiver has expanded the Receivership to include additional businesses controlled by Nadel. (*See* discussion of expansion in Section V.A, below.)

D. Investor Losses and “False Profits.”

As stated above, to date, the Receiver has discovered and identified approximately 390 investors who invested slightly more than \$330 million.⁴ Based on documentation analyzed to date, it appears that investors have out-of-pocket losses of approximately \$168 million. The Receiver has also discovered that some investors were paid more than their total investments. These overpayments were false profits. To date, the Receiver has discovered approximately \$35 million in such false profits. The Receiver has initiated efforts to recover these false profits, and those efforts are discussed in Section V.E, below.

Further, it appears that, although separate investor accounts were identified in communications with investors and brokerage accounts were used for each Hedge Fund, in reality there were not separate funds. Due to the method Nadel used to trade securities and

⁴ In past Interim Reports, the Receiver reported a slightly higher number for the total amount invested. This previously reported amount included purported “internal transfers” among “accounts” with different Hedge Funds. The currently reported total investment number does not include these purported transfers.

his handling of money invested in Hedge Funds through “shadow” bank accounts, as discussed below, distinctions made between the individual Hedge Funds and between investor “accounts” have little meaning. Nadel treated the Hedge Funds as a single source of money regardless of the Hedge Fund with which investors purportedly invested, and then investor funds were commingled in Nadel’s and the Receivership Entities’ accounts. Nadel also maintained “shadow” bank accounts at Wachovia Bank, N.A. (“**Wachovia Bank**”) which he used to transfer money among the Hedge Funds to fund distributions. These accounts enabled Nadel to move funds into and out of the various trading accounts and made his scheme possible.

E. Nadel’s Trading Activities in the Hedge Funds.

In the Executive Summaries disseminated to investors, Nadel represented that the Hedge Funds were generating the annual returns reflected in **Table 3**, below, primarily through trading in the quadruple Qs (and also in real property for Scoop Real Estate).⁵

⁵ The term “Quadruple Qs” (ticker symbol: QQQQ) refers to the NASDAQ-100 Tracking Stock, an exchange-traded fund (“ETF”) listed on the NASDAQ intended to track the NASDAQ index.

Table 3: Fund Performance as Represented in Executive Summaries

Year	Valhalla	Victory	Viking	Viking IRA	Victory IRA	Scoop Real Estate
1999*	36.00%	N/A	N/A	N/A	N/A	N/A
2000	55.12%	N/A	N/A	N/A	N/A	N/A
2001	19.78%	34.05%*	2.97%*	2.97*	N/A	N/A
2002	21.59%	40.93%	26.98%	26.88%	N/A	N/A
2003	41.57%	42.52%	46.42%	45.23%	30.43%	N/A
2004	28.96%	30.30%	30.46%	29.93%	32.16%	48.67%
2005	30.19%	25.90%	27.40%	26.36%	27.31%	32.14%
2006	19.99%	18.94%	19.08%	18.93%	19.50%	21.15%
2007	19.24%	19.65%	20.60%	20.55%	20.02%	21.75%
2008*	10.97%	11.82%	11.43%	11.52%	11.72%	12.31%

* Results are for an incomplete year.

While Nadel did trade in quadruple-Qs, he did not achieve for the Hedge Funds the amount of returns he represented to investors. Rather, based on the documents the Receiver's financial expert has analyzed, the Hedge Funds as a whole lost significant sums. Specifically, **Table 4**, below, shows the actual account performance for the Hedge Funds for the indicated time.

Table 4: Actual Hedge Fund Performance

Year	Valhalla	Victory	Viking	Viking IRA	Victory IRA	Scoop Real Estate
1999*	2.46%	N/A	N/A	N/A	N/A	N/A
2000	(91.24%)	N/A	N/A	N/A	N/A	N/A
2001	(98.79%)	N/A	N/A	N/A	N/A	N/A
2002	(80.82%)	(35.43%)*	(5.83%)*	(4.31%)*	N/A	N/A
2003	110.84%	63.59%	29.52%	55.07%	40.53%*	N/A
2004	9.39%	3.96%	(5.97%)	5.84%	11.99%	60.91%*
2005	3.85%	1.45%	3.20%	2.89%	4.38%	24.54%
2006	(0.64%)	(22.02%)	(23.68%)	(22.13%)	(22.03%)	(20.65%)
2007	7.30%	(36.51%)	(56.84%)	(55.56%)	(69.92%)	(55.96%)
2008*	(42.31%)	(52.54%)	(29.93%)	(61.28%)	(11.97%)	(80.58%)

* Results are for an incomplete year.

A comparison of **Table 3** and **Table 4** demonstrates the disparity between what Nadel and others were claiming the Hedge Funds were achieving and the returns the Hedge Funds were actually achieving. For instance, in 2000, Nadel claimed that Valhalla Investment Partners achieved a 55.12% return where in reality it had lost 91.24%. Although these Tables demonstrate the disparities by Hedge Fund, the performance of each individual Hedge Fund is not significant because Nadel arbitrarily allocated daily results of trading transactions among the Hedge Funds. He also transferred money among the Hedge Funds using “shadow” bank accounts. This activity resulted in the commingling of the Hedge Funds’ assets and makes the performance results of each individual Hedge Fund immaterial. In short, Nadel was losing significant sums of money while representing that he was achieving annual returns from 18.93% to 55.12% (for years with full activity).

Nadel traded the money invested in the Hedge Funds in a pooled and commingled fashion through a single master trading account. Specifically, when trading, Nadel would pool all of the available money raised from investors and invested in the different Hedge Funds, along with money in his personal or other non-Hedge Fund accounts that he controlled (collectively, “**Nadel’s Accounts**”), in a single account and use it to purchase securities. Then, before the close of the trading session, Nadel allocated the completed trades as he wished among the accounts of the Hedge Funds and Nadel’s Accounts. Typically, Nadel allocated profitable trades to Nadel’s Accounts, including accounts in his name or in the name of Scoop Management or Scoop Capital, and unprofitable trades to the Hedge Funds’ accounts. This activity resulted in the commingling of the Hedge Funds’ assets and makes the performance results of each individual Hedge Fund immaterial. He also used

personal and Hedge Funds' accounts at Wachovia Bank to transfer money among the various Hedge Funds.

While the Hedge Funds' accounts experienced losses, all but one of Nadel's personal accounts and other accounts maintained essentially for the benefit of Nadel and Nadel's Accounts experienced significant gains. For instance, from inception through 2008, Scoop Capital's accounts experienced gains of \$11,331,464, representing a 413.17% rate of return. Nadel's trading practices indicate that he engaged in a fraudulent practice known as "cherry picking." In cherry picking, the trader allocates profitable trades to himself and unprofitable trades to clients. *See, e.g., S.E.C. v. K.W. Brown and Co.*, 555 F. Supp. 2d 1275, 1302-07 (S.D. Fla. 2007) (holding that "cherry-picking" day-trading scheme operated by officers constituted scheme to defraud under Securities Exchange Act).

ACTIONS TAKEN BY THE RECEIVER

Since his appointment on January 21, 2009, the Receiver has taken a number of steps to fulfill his mandates under the Order Appointing Receiver, described in Section II, above. For additional efforts of the Receiver, please refer to prior Interim Reports.

IV. Securing the Receivership Estate.

A. Taking Possession of Defendants' Headquarters.

On the day of his appointment, the Receiver took possession of the Receivership Entities' offices at 1618 Main Street, Sarasota, FL 34236 (the "Office"). Nadel used the Office as the headquarters for administering his control of the Investment Managers, Hedge Funds, and other Receivership Entities. Among other things, the Receiver ended the Office's lease and sold the office furniture and other items for \$3,500.00.

The Receiver removed documents, several servers, and other computer-related equipment from the premises that were used by Nadel and the entities he controlled. The Receiver retained experienced forensic information technology experts with the firm E-Hounds, Inc. (“E-Hounds”), to assist in securing and analyzing the electronic data on the computers. E-Hounds personnel have possession of the equipment, have secured the data, and are well underway in their forensic analysis.

B. Securing Receivership Funds.

At the outset of the Receivership, approximately \$556,758.33 in cash and cash equivalents in financial accounts titled in the name of the Hedge Funds and Investment Managers were identified and frozen pursuant to the Nadel TRO and the Preliminary Injunction, itemized as follows:

Scoop Capital	\$12,506.98
Scoop Management	\$30,343.53
Scoop Real Estate	\$139,554.86
Valhalla Investment Partners	\$16,248.68
Valhalla Management	\$7,309.98
Victory IRA Fund	\$134,101.58
Victory Fund	\$80,686.75
Viking IRA Fund	\$70,212.65
Viking Fund	\$56,896.07
Viking Management	\$8,897.25

In addition, cash and cash equivalents in financial accounts titled in the name of other Receivership Entities at the time those entities were brought into receivership were approximately \$629,750.47, itemized as follows:

1/27/09 (Doc. 17)	Venice Jet Center, LLC	\$69,761.41
1/27/09 (Doc. 17)	Tradewind, LLC	\$77,782.72
2/11/09 (Doc. 44)	Laurel Mountain Preserve, LLC	\$5,328.03
2/11/09 (Doc. 44)	Laurel Preserve, LLC	\$22,640.22
2/11/09 (Doc. 44)	Marguerite J. Nadel Rev. Trust	\$381,142.34
2/11/09 (Doc. 44)	Laurel Mtn. Preserve Homeowner Assoc.	\$0.00
3/9/09 (Doc. 68)	Guy-Nadel Foundation, Inc.	\$58,092.49
3/17/09 (Doc. 81)	Lime Avenue Enterprises, LLC	\$1,623.89
3/17/09 (Doc. 81)	A Victorian Garden Florist, LLC	\$10,456.96
7/15/09 (Doc. 153)	Viking Oil & Gas, LLC	\$473.91
8/10/09 (Doc. 172)	Home Front Homes, LLC	\$2,448.50

Thus, total cash at the inception of the Receivership and as the Receivership was expanded to include each additional Receivership Entity indicated was approximately \$1,186,508.80.⁶

During the time covered by this Interim Report, all Receivership funds were held at (1) Northern Trust Bank, N.A. in four CDs with a yield of 1.25%; (2) Bay Cities Bank in six CDs with a yield of 1.98%, a non-interest bearing operating account, and a variable interest rate money market account; and (3) Whitney Bank in a money market account with interest of approximately 1.00%. As of March 14, 2011, the total funds in all Receivership accounts, including CDs, are approximately \$18,599,540.66. The Receiver continues to review the appropriate action to take with respect to Receivership funds in light of the current state of the economy and financial institutions. If appropriate and in the best interests of the Receivership, he will move the funds into other interest-bearing accounts and/or revenue-generating investments.

C. Locating Additional Funds.

One of the Receiver's highest priorities is to locate and recover any additional funds that were in Nadel or the Receivership Entities custody at the time of the scheme. The

⁶ This amount does not include any sum for non-cash or non-cash equivalent assets the Receiver has recovered. For a discussion of these assets, please refer to Section V, below.

Receiver has retained a forensic accounting firm to assist in tracing funds. As discussed in Section V below, the Receiver's investigation revealed that significant sums were used to purchase or fund other entities.

1. Recovery of Tax Refunds

The Receiver is working on obtaining tax refunds owed to certain insiders based upon taxes paid in prior years on nonexistent trading profits, periodic taxes paid on anticipated income that was never earned, and/or overpayment of taxes as a result of loss of investment. On or about October 13, 2010, the Receiver filed a Form 1045 Application for Tentative Refund ("**Form 1045**") for a carryback loss on behalf of the following individuals: (1) Chris Moody, seeking a refund of approximately \$800,000; (2) Neil Moody, seeking a refund of \$120,685; (3) Marguerite Nadel, seeking a refund of \$2,398,594; and (4) Sharon Moody, seeking a refund of \$417,964.

Through the date of filing of this Interim Report, the Receiver has recovered a total sum of \$1,293,866.64 in tax refunds from these applications. Specifically, on January 18, 2011, the Receiver received two refund checks for Chris Moody in the amounts of \$578,355.64 and \$297,547.00, totaling \$875,902.64. In November and December of 2010, the Receiver received four separate refund checks for Sharon Moody for the years 2004 through 2007. The four checks totaled \$417,964 which was the amount sought in the Form 1045. The Receiver has not yet received any tax refunds for Neil Moody or Mrs. Nadel from the filing of the Form 1045s.

The Receiver intends to file a Form 1045 on behalf of Art Nadel seeking the return of approximately \$1,183,525.

Also, in or about July 2010, the Receiver learned that Mrs. Nadel, with the assistance of the Nadels' accountant Michael Zucker, improperly filed documents with the IRS on behalf of a Receivership Entity and had possession of two tax refund checks in the amounts of \$588,956.17 and \$672,403.16. After the Receiver filed a motion to obtain possession of these refund checks (Doc. 434), Mrs. Nadel delivered the two checks to the Receiver. Accordingly, the Court entered an order denying the aforementioned motion as moot (Doc. 439). The Receiver has deposited the total sum of \$1,261,359.33 from these refund checks into the Receivership's accounts.

The Receiver will continue to diligently investigate the existence of any additional funds and will inform the Court and investors if any are located.

D. Receivership Accounting Report.

Attached as composite Exhibit A to this Interim Report is a cash accounting report showing the amount of money on hand as of October 1, 2010 less operating expenses plus revenue through December 31, 2010. This cash accounting report does not reflect non-cash or cash-equivalent assets. Thus, the value of all property discussed in Section V below is not included in the accounting report. From October 1, 2010, through December 31, 2010, the Receiver received \$168,421.14 in business income from ongoing operations of some

Receivership Entities;⁷ \$70,651.61 in interest/dividend income; \$2,363,610.06 in third-party litigation income; and \$417,964.00 in other income.⁸ (Ex. A.).

Since the inception of the Receivership through December 31, 2010, the Receiver received \$3,369,900.69 in business income from ongoing operations of some Receivership Entities; \$2,066,501.32 in cash and securities; \$358,940.31 in interest/dividend income; \$2,339,211.93 in business asset liquidation; \$120,000 in personal asset liquidation; \$12,398,701.15 in third-party litigation income; and \$2,150,203.69 in other income.⁹

E. Obtaining Information from Third Parties.

Since obtaining control of the Receivership Entities, the Receiver and his professionals have had discussions – including continuing discussions – with a significant number of people associated with Nadel and/or the Receivership Entities. Further, on September 9, 2010, the Receiver deposed Peg Nadel and on February 4, 2011, the Receiver deposed Joyce Rowe.

The Receiver and his professionals have also reviewed documents located in the Office; documents obtained from the accountant for several Receivership Entities; information stored on the Receivership Entities' computer network; documents obtained from other businesses controlled by Nadel; documents obtained from financial institutions

⁷ As discussed in Section V.A below, much of the entities' business income is derived from rental payments.

⁸ The "other income" includes: \$417,964 recovered from Sharon Moody's IRS tax refund for the years 2004 through 2007.

⁹ The income numbers provided in this and the foregoing paragraph are gross figures and do not include any offset for business operations costs or any other expenses.

and other third parties, including lawyers and others who assisted Nadel's businesses with their transactions; and information available in the public record.

In connection with the Commission Proceeding, the Receiver has sought documents from Donald H. Rowe ("**Rowe**") and from financial institutions where Rowe and his related entities maintained accounts. Rowe has made repeated efforts to prevent and/or limit the Receiver's requested productions. These efforts include the filing of two motions to quash and three motions for protective order in the Commission Proceeding (*See* Motions to Quash, Docs. 416 and 541; Motions for Protective Order, Docs. 250, 479, and 544). Rowe also filed one motion for protective order in the lawsuit against him and others. (*See* Motion for Protective Order, Doc. 16.) (The lawsuit against Rowe is discussed below in Section V.E.2.b.) All of the motions were denied and Rowe and the pertinent financial institutions have produced documents. (*See* Orders Docs. 267, 424, 481, 542, and 569 in the Commission Proceeding and Doc. 17 in the lawsuit against Rowe.)

V. Asset Analysis and Recovery.

A. Expansion of Receivership to Include Additional Entities.

As a result of the review of these records and of the discussions noted above, the Receiver sought and successfully obtained the expansion of the Receivership to include: Venice Jet Center, LLC; Tradewind, LLC; Laurel Mountain Preserve, LLC; Laurel Preserve, LLC; Laurel Mountain Preserve Homeowners Association, Inc.; the Marguerite J. Nadel Revocable Trust UAD 8/2/07; the Guy-Nadel Foundation, Inc.; Lime Avenue Enterprises, LLC; A Victorian Garden Florist, LLC; Viking Oil & Gas, LLC; Home Front Homes, LLC; and Traders Investment Club. Along with Summer Place Development Corporation, these

entities will hereinafter be referred to collectively as the “**Additional Entities.**”¹⁰ The Receiver’s investigation revealed that the Additional Entities were purchased and/or funded with money derived from Nadel’s fraudulent investment scheme.

The following discussion of the Additional Entities includes a description of assets the Receiver has acquired as a result of the businesses’ inclusion in the Receivership; known encumbrances related to those assets; and actions taken by the Receiver with respect to those assets. Where possible the Receiver has included estimated values of these assets. However, given the state of the U.S. economy at the time of this Report and the possibility for additional information not yet uncovered by the Receiver, it is important to note that any such estimations, valuations or appraisals are subject to change. Due to the poor state of the real estate markets, the estimates provided may differ markedly from the actual amounts realized upon the selling of any real property.

1. Venice Jet Center, LLC.

Venice Jet Center, LLC (“VJC”), is a Florida limited liability company formed in April 2006. Nadel was its managing member and registered agent, and its principal address was the Office. The assets of VJC were purchased with proceeds of Nadel’s scheme, and over time additional proceeds of the scheme were transferred to VJC.

On January 27, 2009, the Court expanded the Receivership to include VJC. VJC was a fully operating fixed-base operator that included a flight school, fueling service, hangar rentals, and a café. On January 20, 2010, the Court approved the sale of the VJC’s assets and

¹⁰ The Receiver gained control of Summer Place Development Corporation by virtue of Scoop Capital’s ownership interest in that entity. However, for various reasons, a formal order expanding the Receivership to include this entity has not been sought.

an agreement with Northern Trust (Motion, Doc. 254; Order, Doc. 321.) In pertinent part, VJC's assets were sold to Tristate Aviation Group of Florida LLC for (1) \$300,000 cash at closing; (2) a \$250,000 unsecured promissory note payable over a term of three years; (3) resolution of a \$1,960,169 loan with Northern Trust; and (4) assumption of prosecution of the Part 16 Complaint subject to an offset of the note obligations to the Receiver for up to \$50,000 for expenses and costs actually incurred in connection with efforts to resolve all disputes with the City of Venice, including the Part 16 Complaint. For more information, please refer to prior Interim Reports.

2. Tradewind, LLC.

Tradewind, LLC ("**Tradewind**") was formed in Delaware in January 2004 and registered for the first time in Florida in March 2008. Nadel was Tradewind's managing member and registered agent, and its principal address was the Office. Tradewind owned and controlled five planes and one helicopter and owns 31 hangars at the Newnan-Coweta County Airport in Georgia (the "**Georgia Hangars**"). The Receiver's investigation revealed that Tradewind was funded with money from Nadel's scheme. Tradewind is a fully operating business with potential to generate assets for the Receivership estate.

On January 27, 2009, the Court expanded the Receivership to include Tradewind. Since the Receiver's appointment as Receiver of Tradewind, he has taken control of it and is continuing to operate the business. Tradewind collects approximately \$20,000 in monthly rent and incurs varying monthly expenses, which include land rent, loan payments, and various utilities. The Receiver is entertaining offers to purchase this business or any of its assets.

The Receiver has possession and control of the Georgia Hangars, which have one known encumbrance: a loan with the Bank of Coweta with a remaining balance of approximately \$912,334.82 (as of February 2011), and monthly payments of \$8,055. There is also monthly rent of \$3,079.89 due to the Newnan Coweta Aviation Authority. The Receiver has been making these monthly payments as he believes they are in the best interest of the Receivership. The Receiver received two offers to purchase the Georgia Hangars. Both offers, however, were below the balance of the loan and below what the Receiver believes to be the fair market value of the Hangars.

The Receiver also acquired possession and control of the five planes and helicopter. The following table shows the year, model, and known encumbrances relating to each aircraft, as well as the Court-approved disposition of the aircraft:

Model	Year	Type of Aircraft	Known Encumbrance	Action Taken by Receiver
Piper PA-28/140	1971	Airplane	None.	Sold for \$27,500 (Doc. 433)
Cessna 152	1978	Airplane	None.	Sold for \$9,000 (Doc. 581) ¹¹
Baron	1977	Airplane	None.	Sold for \$65,000 (Doc. 491)
Learjet 31A	1996	Airplane	Loan with General Electric Capital Corporation ("GECC") entered into on May 17, 2006, for approximately \$2.4 million.	Settled with GECC; disposed of Learjet (Doc. 119)

¹¹ The Receiver filed his motion for sale of the Cessna 152 Aircraft on December 16, 2010 (Doc. 580). The Court entered an order granting the Receiver's motion in its entirety on the same day (Doc. 581). The buyer provided the Receiver with a \$1,000 deposit and paid the balance soon after the Court's approval of the sale.

Model	Year	Type of Aircraft	Known Encumbrance	Action Taken by Receiver
Citation	1992	Airplane	Loan with VFS Financing, Inc. ("VFS") entered into on May 23, 2008, for approximately \$2.1 million	Settled with VFS; disposed of Citation (Doc. 119)
Schweizer 300	1997	Helicopter	None.	Sold for \$200,000 (Doc. 100)

3. Laurel Mountain Preserve, LLC; Laurel Preserve, LLC; and Laurel Mountain Preserve Homeowners Association, Inc.

Laurel Mountain Preserve, LLC ("**Laurel Mountain**"), was formed in Florida in December 2003. Nadel was Laurel Mountain's manager and member, and its principal address was the Office. Laurel Mountain was "withdrawn" as a limited liability company in January 2006.

Laurel Preserve, LLC ("**Laurel Preserve**"), was formed as a North Carolina limited liability company in February 2006. Nadel was Laurel Preserve's registered agent and manager, and its principal address was the Office. The Laurel Mountain Preserve Homeowners Association, Inc. (the "**HOA**"), is a North Carolina non-profit corporation formed in March 2006. Nadel was the HOA's registered agent, and its principal address was the Fairview, North Carolina home. Documentation reviewed and information obtained by the Receiver shows that Laurel Preserve holds title to approximately 420 acres near Asheville, North Carolina in Buncombe and McDowell counties, intended for development of home-sites (the "**Laurel Mountain Property**").

On February 11, 2009, the Court expanded the Receivership to include Laurel Mountain, Laurel Preserve, and the HOA. Since the Receiver's appointment as Receiver of these entities, he has taken control of them and is working on marketing for sale the Laurel

Mountain Property. This property currently does not generate any income. The Laurel Mountain Property encompasses 29 lots, including 23 estate-sized and 6 cottage-sized lots. There is also a cabin home on this property that, according to the Buncombe County Property Appraiser, is valued at \$319,800. The Laurel Mountain Property's infrastructure is fully developed: infrastructure and utilities are currently in place and are fully functional.

The Laurel Mountain Property has three known encumbrances. The first encumbrance is a \$360,157.37 loan from BB&T Bank. The second encumbrance is a \$1,900,000 interest only loan from Wachovia Bank. There is a monthly payment of \$5,149.66 due on this latter loan and the Receiver presently is not making the loan payments. The third encumbrance is an easement of approximately 169 acres of the Laurel Mountain Property, which was granted to a land conservancy in 2005 (the "**Easement**"). It appears that this donation was made in part for the Nadels' own tax benefit. The Receiver determined that it would be in the best interests of the Receivership to recover this Easement from the conservancy as it may generate an exponential increase in the value of the full acreage.

The Receiver instituted an ancillary civil proceeding against the Carolina Mountain Land Conservancy ("the **Conservancy**") to extinguish the Easement on December 1, 2009. *Burton W. Wiand, as Receiver v. Carolina Mountain Land Conservancy*, M.D. Fla. Case No. 8:09-cv-2443-T-27TBM ("**Conservancy Action**"). On May 21, 2010, the Receiver filed an Amended Complaint seeking to extinguish the easement, or alternatively, recover from the Conservancy a sum of money equal to the greater of the value of the property that is subject to the Easement or the diminution in value to the Laurel Mountain Property as a result of the

Easement. (Conservancy Action, Doc. 10.) The Amended Complaint also seeks the recovery of all contributions made by the Receivership Entities to the Conservancy because the contributions were made with proceeds of Nadel's scheme and were fraudulent transfers. On June 10, 2010, the Conservancy filed its Answer and Affirmative Defenses. (Conservancy Action, Doc. 11.) On January 11, 2011, the Court entered an order scheduling, among other things, the trial term for August 1, 2011. (Conservancy Action, Doc. 21.) The parties mediated this matter on January 6, 2011, have reached an agreement in principle to resolve this matter, and are in the process of finalizing the settlement papers.

For more information regarding the Laurel Mountain Property, please visit <http://www.laurelmountainpreserve.com>. Parties interested in purchasing this property should contact:

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J. Rex Thomas
John Linderman
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Office: (919) 785-3434
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Email: john.larocca@tlgcre.com

4. Marguerite J. Nadel Revocable Trust UAD 8/2/2007.

The Marguerite J. Nadel Revocable Trust Under Agreement Dated 8/2/2007 (the "Trust") was created on August 2, 2007. The Receiver's investigation revealed that the Trust was funded entirely with proceeds of Nadel's scheme through (1) a transfer of \$500,000 from Scoop Management in August 2007 and (2) a transfer of \$150,000 from Scoop Capital on the day before Nadel fled. On February 11, 2009, the Court expanded the

Receivership to include the Trust. The Receiver took control of the Trust's bank account and used the funds for Receivership costs and expenses.

5. Guy-Nadel Foundation, Inc.

The Guy-Nadel Foundation, Inc. (the "**Foundation**"), is a Florida non-profit corporation Nadel formed in December 2003 for "charitable, educational and scientific purposes." The Foundation was funded with proceeds of Nadel's scheme. On March 9, 2009, the Court expanded the Receivership to include the Foundation. Since the Receiver's appointment as Receiver of the Foundation, he has taken control of it and is working on marketing the real property owned by the Foundation.

The Receiver has discovered that from 2000 through 2008, the Foundation made a total of approximately \$2,484,589 in contributions from scheme proceeds to various non-profit organizations and charities. The Receiver has focused his attention on the charitable organizations that received the most contributions. As discussed in Section V.E.4, the Receiver sought to obtain tolling agreements from all charitable organizations so he could contemplate the appropriate action to take regarding these significant disbursements. Three charities did not provide such agreements, thus the Receiver had no recourse but to initiate actions against them. Further, one of the tolling agreements expired and the charity refused to extend the agreement. Accordingly, the Receiver had no choice but to initiate an action against this charity as well. (*See* discussion of litigation at Section V.E.4 below.)

On May 19, 2010, the Receiver sent letters to the charities with tolling agreements requesting an accounting of funds, a current financial statement, and an explanation of any mitigating factors the charity wished the Receiver to consider. The letter requested that the

foregoing information be provided by June 11, 2010. All of the charities have now responded to the letter. After reviewing the information submitted, on September 8, 2010, the Receiver sent further correspondence to the charities indicating that if the charities do not engage in meaningful settlement discussions, he will initiate lawsuits against them. As a result of the September letter, the Receiver has scheduled two mediations for March 18 and May 27, 2011 and is arranging the mediation of two others. The Receiver would like to informally resolve these matters without the need for filing suit.

North Carolina Parcels

The Receiver has possession and control of approximately eight lots that are essentially adjacent to each other and to the Laurel Mountain Property. The lots appear to have been purchased by Laurel Mountain and the Nadels as part of the same general transaction in which Laurel Mountain purchased the Laurel Mountain Property. In December 2003 and December 2004, Laurel Mountain and Nadel and his wife deeded these lots to the Foundation. The Receiver is currently determining how best to market the property and is considering including it in the sale of the Laurel Mountain Property. Parties interested in purchasing this property should contact the Receiver.

Thomasville, Georgia Parcels

Additionally, the Receiver has possession and control of two small parcels of unimproved land in Thomasville, Georgia (this land is separate from the Thomasville Property discussed in Section V.B.1, below) owned by the Foundation. According to the Thomas County Board of Tax Assessors, the first lot (located on North Stevens Street) has a 2010 tax valuation of \$34,745, and the second lot (located on Church Street) has a 2010 tax

valuation of \$4,276. Parties interested in purchasing these parcels should contact the Receiver directly.

6. Lime Avenue Enterprises, LLC, and A Victorian Garden Florist, LLC.

Lime Avenue Enterprises, LLC (“**Lime**”) was formed in Florida in August 2006, and Nadel was a managing member of Lime. Lime owns a building located at 599 North Lime Avenue, Sarasota, Florida 34237 (the “**Lime Building**”). Lime purchased the Lime Building in August 2006. Public records and other information reviewed by the Receiver indicate that Lime was formed by Nadel and Mrs. Nadel (who also was a manager of Lime) for the purpose of purchasing the Lime Building. The Lime Building houses a flower shop, which is owned by A Victorian Garden Florist, LLC (“**Victorian Garden**”), which was formed in Florida in April 2005. The Receiver’s investigation revealed that Lime and Victorian Garden were funded with proceeds from Nadel’s scheme.

On March 17, 2009, the Court expanded the Receivership to include Lime and Victorian Garden. The Receiver has possession and control of the Lime Building. The Lime Building has one known encumbrance: a mortgage owed to the individuals who sold the building to Lime on which the balance is approximately \$600,000.

The Receiver also took control of the business and determined that ownership of the florist was not in the best interest of the Receivership. The flower shop did not have sufficient revenue to cover its expenses, thus the Receiver planned to close the business. In lieu of closing the business, the Receiver is allowing the former manager of the flower shop to continue the flower shop’s operations. The Receiver is presently attempting to negotiate a resolution of the obligations relating to the Lime Building.

The Receiver also took possession and control of two vans owned by Lime: a 1999 Ford van and a 2003 Dodge van. The Receiver sold these vans for \$500 and \$2,000, respectively.

7. Viking Oil & Gas, LLC.

Viking Oil & Gas, LLC (“**Viking Oil**”) is a Florida limited liability company formed in January 2006 by the Moodys to make personal investments in an oil and gas venture. Its principal address was the Office. The Receiver’s investigation revealed that Viking Oil was funded with proceeds from Nadel’s scheme. The funds invested in Viking Oil were used to purchase an investment interest in Quest Energy Management Group, Inc. (“**Quest EMG**”). Between February 2006 and April 2007, through Viking Oil, the Moodys invested \$4 million to fund a working interest in Quest EMG.

As discussed in Section V.C.4, below, the Receiver also has possession of a promissory note from Quest EMG and two individuals to Valhalla Investment Partners in the amount of \$1,100,000. On July 15, 2009, the Court expanded the Receivership to include Viking Oil. Since the Receiver’s appointment as Receiver of this entity, he has taken control of it and is determining the most prudent course of action to take with respect to the working interest in Quest EMG. An examination of this venture has caused the Receiver to question the viability and value of this investment. The Receiver hired a forensic accountant, Otto L. Wheeler, CPA/ABV, to assist with further examination of Quest EMG and the Receivership’s interest therein. Mr. Wheeler has identified various issues that are now the subject of further inquiry. Quest principals have cooperated in the production of additional

documents and disclosures and have also attempted to advance settlement discussions. Written discovery and depositions are expected to take place in the spring.

8. Home Front Homes, LLC.

Home Front Homes, LLC (“**Home Front Homes**”), is a Florida limited liability company that was formed in 2006. Nadel was the sole managing member of Home Front Homes, and Scoop Capital owned a majority membership interest in it. Home Front Homes was engaged in the business of manufacturing, marketing, and selling energy-efficient homes. Home Front Homes was an operating business until September 2009. On August 10, 2009, the Court expanded the Receivership to include Home Front Homes. (Doc. 170.)

On January 6, 2010, the Court granted the Receiver’s motion to sell certain of Home Front Homes’ assets and approve an agreement with M&I Bank in its entirety. (*See* Jan. 6, 2010, Order, Doc. 293; Motion, Doc. 291.) In salient part, (1) South American Development Corporation (“SADC”) agreed to purchase certain assets for \$250,000, with \$150,000 to be paid at closing and a zero interest promissory note secured by the assets due December 18, 2010 for the \$100,000 balance¹² and (2) M&I agreed to waive over \$3,000,000 in debt obligations and forego any deficiency claims against the Receivership estate in exchange for 65% of the cash and note proceeds after \$12,000 has first been paid to the Receiver for

¹² SADC is currently in default on the note. The Receiver is attempting to secure payment of the note. If he is unsuccessful, the Receiver will seek the appropriate relief.

expenses incurred. As a result of this agreement, the Receiver will gain over \$95,000 from the sale of Home Front Homes' assets and alleviate over \$3,000,000 of debt obligations.¹³

After the sale of certain of Home Front Homes' assets, Home Front Homes continued to own a parcel of real property located at 512 Paul Morris Drive, Englewood, Florida 34223, Lot 81 of the Morris Industrial Park. The Receiver determined that it was in the best interests of the Receivership to convey this property to William Bishop, as Trustee of the William F. Bishop Revocable Trust in exchange for the release of all claims against the Receivership estate. For more information regarding Home Front Homes and related litigation, please refer to prior Interim Reports.

9. Summer Place Development Corporation.

Summer Place Development Corporation (“**Summer Place**”) is a Florida company that was formed in 2005. The Receiver has not sought a formal order expanding the Receivership to include Summer Place. However, Nadel purchased 50% of the holdings in Summer Place with a \$200,000 investment in Home Front Homes and payment of \$50,000 to the co-managing member's investment company. Nadel became a managing member of Summer Place, and Scoop Capital owns a fifty-percent interest in Summer Place. By virtue of this fifty-percent interest, the Receiver has not assumed full control over Summer Place but is working with the other managing member and fifty-percent owner in directing the operation of Summer Place for the benefit of the Receivership estate.

¹³ The Receiver sold, or otherwise disposed of several assets that were not included in the asset purchase agreement discussed above for a total amount of \$7,600. These assets included a pick-up truck, two small free standing storage structures, and a telephone system.

Summer Place is an operating business and owns a 6-acre parcel in Bradenton, Florida. The owners originally intended to build thirty affordable home sites on this property. However, due to the decline in the market for affordable housing, no development has taken place. Taxes on the property are approximately \$3,000 a year. The Receiver intends to sell Scoop Capital's equity interest in this entity in a manner most beneficial to the Receivership estate. Parties interested in marketing or purchasing Scoop Capital's interest in this business should contact the Receiver directly.

10. Traders Investment Club.

Traders was a Florida partnership formed in December 1998 to operate as a purported "investment club." Nadel controlled Traders and purported to buy and sell securities on its behalf in an effort to generate trading profits. Records in the Receiver's possession show that Traders was in existence until December 2005. During its existence, Traders had approximately 35 different investors most of whom were also simultaneously investors in the Hedge Funds. Aside from raising money for Traders from investors, the Receiver's investigation revealed that Nadel funded Traders with unlawful transfers from the Hedge Funds.

Nadel purported to close Traders in 2005 by distributing supposed "principal and trading gains" directly to investors or to the Hedge Funds as purported "roll-overs" into the pertinent investors' Hedge Fund "accounts." Further, representations Nadel made to Traders' investors regarding investment performance were grossly overstated. Because of the commingling of funds between Traders and the Receivership Entities and the fraud perpetrated by Nadel through his control of all of these entities, the Receiver sought the

