

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA, :
 :
 - against - : 09 Cr. 433 (JGK)
 :
 ARTHUR G. NADEL, :
 :
 Defendant. :

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**DEFENDANT'S REPLY MEMORANDUM IN SUPPORT OF MOTION
FOR MODIFICATION OF BAIL CONDITIONS**

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This Reply memorandum is submitted on behalf of Defendant Arthur Nadel to respond to arguments made by the government in its Memorandum in Opposition to Defendant's Motion to Modify Bail Conditions. Defendant also submits, as Exhibit A, the Receiver's Second Interim Report, which was just filed on June 9, 2009.

INTRODUCTION

Arthur Nadel is a sick, old man who poses no risk of flight and no danger to the community and should be released on reasonable bail conditions. Since Mr. Nadel's January arrest, he has been stripped of all his assets and rendered virtually friendless by the wave of negative publicity generated by the unproved charges against him. He has neither the means nor the desire to do anything but go back to his modest home and prepare to vindicate himself at trial.

The government, however, continues to oppose Mr. Nadel's release on bail on the grounds that he is both an "actual risk of flight" and a "pecuniary danger to the community." G. Mem. at 14. According to the government, Mr. Nadel cannot be released even on the stringent conditions proposed, because he would likely facilitate his "escape" with his purported access to "tens of millions of [hidden] dollars." G. Mem. at 21. The government further claims that Mr. Nadel's age and poor health should lead the Court to deny bail because his shortened life expectancy means that he has little to lose by fleeing. Alternatively, the government argues that bail should be denied because Mr. Nadel supposedly constitutes a "pecuniary" danger to the community who might seek to defraud investors from the confines of his monitored Sarasota home.

The claims that Mr. Nadel is a present risk of flight and/or danger to the community are meritless. As demonstrated in Mr.

Nadel's Memorandum in Support of Modification of Bail Conditions ("Mem.") and below, the unwarranted speculations about risk of flight and danger to the community are based on a distortion of Mr. Nadel's past behavior and a gross mischaracterization of his present circumstances.

I. MR. NADEL IS PRESUMED INNOCENT.

The government asserts that bail must be denied because the evidence against Mr. Nadel is "overwhelming" and a life sentence all but a certainty. G. Mem. at 14, 15. This assessment is premised on a tendentious and myopic view of the facts. G. Mem. at 4-6.

Mr. Nadel is presumed innocent and cannot be expected to try his case in the context of a bail motion. Notably, however, the government's account of the allegedly "overwhelming" evidence against Mr. Nadel virtually omits any reference to Neil and Chris Moody.¹ The Moodys -- not Mr. Nadel -- were the general partners of the Valhalla and Viking Funds. The facts will shows that they actively solicited investors for their funds; made many of the investment decisions; and received at least half of the fees and profits generated by the six funds identified in the indictment. See Receiver's Rep. at 8 and 35. Moreover, according to investors,

¹ For example, as evidence of Mr. Nadel's guilt, the government cites a number of purportedly inaccurate letters to investors regarding the performance of the funds. The government neglects to note, however, that Neil and Chris Moody also signed the very same letters. See Exhibits D, E, F, and G to G. Mem.

the Moodys affirmatively represented that they "actively" managed their own funds and that "trading was not going to be sub-contracted to any other entity or individual." See January 19, 2009, letter from Anil B. Deolakiar to Detective Jack Carter, Sarasota Police Department, Exhibit B. Standing alone, the government's bold attempt to edit the Moodys out of the picture suggests that the case against Mr. Nadel is not nearly as strong or simple as the government would have the Court believe.

II. MR. NADEL'S TRAVELS BETWEEN JANUARY 14 AND JANUARY 24, 2009 DO NOT ESTABLISH THAT HE IS A "RISK OF FLIGHT."

The government continues to argue that Mr. Nadel is an "actual risk of flight" because on January 14, 2009, he supposedly "made the premeditated and calculated decision to flee from authorities." G. Mem. at 16. On its face, this argument is baseless. Mr. Nadel could not have been "flee[ing] from authorities" on January 14, 2009 because, at that time, there were no criminal or civil charges pending against him and, therefore, no authorities from which to flee.

Despite the fact that Mr. Nadel left his home at a time when he was not facing any criminal charges, the government claims that Mr. Nadel's behavior during his journey demonstrates a calculated effort to evade detection. But, the only evidence cited by the government is that at some point during his travel he "dropped his cellphone" and that he stayed in two hotels while in San Francisco. However, during the time he was gone, Mr. Nadel traveled under his

own name, including booking airplane flights and paying for his expenses with his own credit cards. He did not seek to leave the country, but stayed in three major United States cities where he registered at hotels in his own name and paid for his lodgings with his own credit cards. These are not the actions of someone intent on flight from a [non-existent] warrant as the police could simply have checked his credit-card usage or airline records if they wanted to determine his whereabouts.

As further "proof" of Mr. Nadel's supposed attempt at flight, the government observes that Mr. Nadel wrote letters to his family in which he advised them to co-operate with the authorities, but suggested that they first retain a lawyer. G. Mem. at 18. The government does not, however, explain why Mr. Nadel's advising his family to co-operate with law enforcement supports the conclusion that he is a risk of flight.

The government also significantly distorts both the facts and Mr. Nadel's arguments regarding risk of flight. It asserts that "the notion that Nadel did not understand that he was wanted by law enforcement authorities strains belief" because "during the time that Nadel was on the run and in contact with his family, agents of the FBI had repeatedly interviewed members of his family and his associates, and had executed a search warrant on his North Carolina residence." G. Mem. at 18. But, Mr. Nadel does not claim that he didn't come to understand that law enforcement authorities were

looking for him. Rather, as his opening Memorandum makes clear, he retained counsel precisely because he did become aware that he would, at some point, be charged. Def. Mem. at 11.²

Finally, the government's recitation of the "facts" about Mr. Nadel's supposed two-week "flight" from the authorities fails to include the undisputed evidence that Mr. Nadel retained counsel on January 20, 2009 and that between January 21st, 2009 and January 26, 2009, his lawyers made repeated, but unsuccessful, efforts -- including speaking with the Chief Assistant United States Attorney for the Middle District of Florida -- to ascertain if there was a warrant for Mr. Nadel's arrest.³ See Def. Mem. at 11-14. As soon as his lawyers were informed that a warrant had been issued, he surrendered with counsel. The omission of these crucial facts by the government underscores the overall weakness of its claim that Mr. Nadel was seeking to evade detection by law enforcement during his travels between January 14th and January 27th, 2009.

Finally, Mr. Nadel's financial activities in the days before he left Florida demonstrate that he had no intention of becoming a

² Moreover, the police contacts with Mr. Nadel's family and the search of his home had nothing to do with his determination to retain counsel because -- as the government concedes -- both the search and the interviews with family members took place *after* Mr. Nadel first contacted a lawyer on January 20th. G. Mem. at 9.

³ The government's Statement of Facts does not disclose why the arrest warrant for Mr. Nadel was such a secret that even the United States Attorney for the Middle District of Florida did not know of its existence.

fugitive. In the week prior to January 14, 2009, Mr. Nadel made substantial payments, totaling about \$182,000, in maintenance and carrying costs for various properties he owned, including Tradewinds LLC; Laurel Preserve, LLC, Thomasville National Bank and Homefront Homes, LLC. See Exhibit I to G. Mem. If Mr. Nadel had been intent on leading a life as a fugitive, he would have used the money for himself, rather than dissipating his funds to satisfy his debt obligations. Similarly, as evidence of his desire to flee, the government makes much of Mr. Nadel's unsuccessful effort to transfer a \$50,000 check "to a new Bank of America credit card for his use while on the run." G. Mem. at 16. But, as the Criminal Complaint filed against Mr. Nadel demonstrates, Mr. Nadel left a letter for his wife in which he instructed her to use the funds in that credit account for *her* benefit. See Exhibit C, par. 17. Thus, the record shows that, rather than removing a lot of cash for a life on the run, Mr. Nadel paid bills to keep ongoing businesses solvent and tried to provide for his wife.

III. MR. NADEL IS NOT A DANGER TO THE COMMUNITY

The government alleges that Mr. Nadel would pose a "danger to the community" if released, but offers no evidence-or even a hypothesis-to support its claim. Rather, the government's entire argument on "danger to the community" merely reiterates its view Mr. Nadel defrauded investors and that the loss of money "caused massive harm and destruction." G. Mem. at 20.

There is no presumption that a defendant charged with fraud constitutes a "danger to the community." To the contrary, the government must show by clear and convincing evidence that there are no conditions of release for such a defendant which will "reasonably assure" that he or she will not "endanger the safety or any other person or the community." United States v. Sahbnani, 493 F.3d 63, 75 (2d Cir. 2007). Here, the government does not even offer an hypothesis, let alone any facts, which would satisfy this high burden. Mr. Nadel has been publicly reviled and convicted by the media, abandoned by most of his friends, and will be confined to his home and monitored by pre-trial services once released. The unsupported suggestion that he will attempt to defraud or otherwise harm anyone under such circumstances is ludicrous and does not warrant further discussion.

IV. MR. NADEL'S AGE AND ILL HEALTH SHOULD NOT BE HELD AGAINST HIM ON BAIL.

Mr. Nadel is a 76 year-old man who suffers from multiple medical problems, including a serious and disabling heart condition. Mr. Nadel's age, infirmities and need for medical treatment obviously limit his ability to escape and/or live as a fugitive and, therefore diminish any concern that he would be a "risk of flight." Mem. at 16-17.

The government, however, asserts that Mr. Nadel's poor health "is another factor that militates against modifying his bail conditions," and "is only relevant in so far as it makes any

potential sentence he receives a likely life sentence, diminishes the practical effect of a bail jumping charge, and thus, gives Nadel an even stronger incentive to flee." G. Mem at 13. This novel⁴ argument is without merit. On its face, the notion that Mr. Nadel should be denied bail simply because the government adjudges his life expectancy insufficient to survive a potential sentence or to give "practical effect" to a prospective bail jumping charge is repellent. Moreover, the same specious logic could be applied to a defendant of any age. For example, if Mr. Nadel were young and healthy, the government might assert that he has a "stronger incentive to flee" because he has more years of potential freedom ahead of him should he jump bail.

V. MR. NADEL'S INABILITY TO PREPARE HIS DEFENSE WHILE INCARCERATED SUPPORTS THE GRANT OF REASONABLE BAIL.

The huge amount of paper and computer discovery involved in this case coupled with Mr. Nadel's poor health and the limited ability to communicate with counsel make it all but impossible for him to effectively help prepare his own defense while confined in jail. Mem. at 22-26. The government, however, dismisses these concerns as mere "speculation" and actually insists that any consideration of Mr. Nadel's ability to prepare his defense based on the amount of discovery would "offend the notion of justice"

⁴ Counsel has been able to locate any case, and the government cites none, in which a defendant's poor health or short life expectancy has been cited as a reason for denying bail.

because it would create an unwarranted presumption of release in document-intensive cases. G. Mem. at 14.

The government's argument is without foundation. The traditional right to freedom before trial is specifically designed to "permit the unhampered preparation of a defense." Stack v. Boyle, 342 U.S. 1, 4 (1951) United States v. Speed Jovero, S.A., 204 F.Supp. 2d 412, 434 (E.D.N.Y. 2002). Given this basic principle, it can scarcely "offend justice" for the Court to take into account the fact that, in this case, pre-trial incarceration will especially "hamper" Mr. Nadel's personal preparation of an effective defense. See Kinney v. Lenon, 425 F.2d 209, 210 (9th Cir. 1970) (release from detention was warranted where defendant made "strong showing" that his release was necessary so that he could personally identify potential defense witnesses).

Mr. Nadel's continued detention also erects a significant obstacle to his ability to assist the S.E.C. and Receiver in tracing all of his assets. This is a condition of both the present and proposed conditions of release and Mr. Nadel has, even while incarcerated, offered his assistance. However, his limited ability to communicate and/or receive and review voluminous records because of his incarceration obviously limits the amount of help he can provide. Mr. Nadel is representing himself pro se in the SEC action and his detention impedes his ability to respond to the charges or to cooperate, or to even make decisions about how to proceed. An

example of this is the difficulty Mr. Nadel had in communicating with the SEC lawyer about a case management report that had to be filed. It took so long for Mr. Nadel and the SEC lawyer to even arrange a phone call, that the court had to grant an extension of time for routine report.

IV. MR. NADEL HAS NO ACCESS TO ANY FUNDS

The government continues to claim that Mr. Nadel "potentially has access to tens of millions of dollars that he can use to facilitate his escape." G.Mem 21. This claim was always speculative. Now, five months into the Receiver's work of locking down every asset owned or traced to Mr. Nadel, this claim is beyond speculation and borders on fantasy. Even before Mr. Nadel was charged and the Receiver was appointed, he clearly had no access to millions of dollars-not even to thousands. When Mr. Nadel left Sarasota on January 14, he traveled on credit cards and, as is recounted in the Complaint, advised his wife that he had paid the most recent bills, that there was no money left, and that she should use their credit account to pay bills. Exh.C, p. 17. As a last resort, he advised her to sell their Subaru to raise money for living expenses. Since then, the Receiver has seized all of the bank accounts of Mr Nadel and his wife, as well as all of the real estate and businesses that Mr. Nadel acquired during the years of the hedge funds' operation. Mr. Nadel and his wife are virtually penniless and Mrs. Nadel has informed counsel that she is worried

about being able to pay the mortgage of approximately \$150,000 on their residence. Mr. Nadel is 76 years old and sickly and sits in the M.C.C. If Mr. Nadel had any ability whatsoever to raise funds, he would have done so to make bail.

Yet the government continues to assert, without foundation, that Mr. Nadel must have access to large sums of money. The government does this by indiscriminately tossing around some very large numbers and double counting funds to create a misleading picture. Clearly, without extensive document review and forensic accountants, the defense cannot be expected to account for every penny that went through the Scoop and Nadel accounts. However, even a cursory review of the government's numbers is enlightening.

At page 21 of its memorandum, the government asserts that Mr. Nadel received over \$48 million in management fees from 2003 to 2008, something that the Receiver asserts as well. However, the government then asserts: "*In addition to the \$48,584,061 that Nadel received in 'fees,' Scoop Management transferred approximately \$17,177,896.56 to accounts owned individually or jointly by the defendant and his wife, and another \$6,433,804.40 to other entitites controlled by the defendant.*" The government incorrectly *adds* these sums to the \$48 million figure as the amount that Mr. Nadel received from the hedge funds, when these sums were *part of* the \$48 million that Scoop Management received from the hedge funds, and were transferred from Scoop Management to accounts and

entities controlled by Mr. Nadel. The roughly \$48 million is allegedly money that was paid in to Scoop Management from the hedge funds in management and performance fees (the other \$48 million going to the Moodys), whereas the \$17 million and \$6 million amounts were transferred out of Scoop Management to Mr. Nadel's personal and business accounts. Clearly, those sums that came out of the \$48 million cannot be added to it. Although the government cites the Receiver's Report as its authority (G.Mem.21), the Receiver's Report simply traced that money (the approximately \$17 and \$6 million amounts) through the accounts in order to seize all of Mr. Nadel's assets, and did not add it to money that was received from the funds. By incorrectly adding money that came out of the Scoop account to the total amount that Scoop took in, the government inflates the amount of money that it claims Nadel received by approximately \$23.5 million. This is just one of the most obvious errors that leads the government to its claim that Mr. Nadel netted \$65 million, "leaving a balance of more than \$40 million unaccounted." G. Mem. at 22.

The extravagance of the government's claims is also demonstrated by the Receiver's May 28, 2009 letter (Exh. A to G. Mem.), which reported that, out of the entire approximately \$400 million in investor funds that were raised, he had accounted for all but \$28 million. By contrast, the government here claims that as of that same date, more than \$40 million is unaccounted for out

of only that portion that Mr. Nadel received--excluding the \$48 million that the Moodys received, all of the redemptions made over the years, and the trading losses. This makes no sense.

Basic arithmetic allows a maximum gross figure of not \$95 million, but approximately \$71 million, adding the \$48,584,061 in fees to Scoop Management and Mr. Nadel's \$22,859,667 in trading gains. G. Mem. 21. The government acknowledges that Mr. Nadel paid more than \$16 million to acquire all of the various property, businesses, and real estate listed on pages 22-23 of its memorandum, all of which has been seized or frozen by the Receiver. This does not even include acquisition costs for some assets that clearly have substantial value, such as four airplanes and a helicopter. G.mem. 24. In addition, the government acknowledges that Mr. Nadel paid his income taxes, which it estimates to have been approximately \$30 million out its inflated gross of \$95 million. G. Mem. 21. Out of the \$71 million, that tax figure would be approximately \$21.3 million. Subtracting taxes paid (\$21.3 million) and the conceded acquisition costs of the various properties and businesses seized (\$16 million) leaves approximately \$33 million. However, the government does not account at all for numerous expenses that were paid by Scoop and/or Mr. Nadel over the years for salaries and office expenses for Scoop Management, commissions paid to Dan Rowe and others, development and carrying costs for the numerous businesses Mr. Nadel bought, and trading

losses in the last quarter of 2008.

The Scoop Management office had numerous employees, including Andrew Martin, Michelle Bell, Geoff Quisenberry, and Peg Nadel, as well as computers and office equipment. During the six years of operation from 2003 to 2008, Mr. Nadel conservatively estimates that these expenses amounted to approximately \$7 million, which is a little more than \$1 million per year. These expenses were paid out of Scoop Management, except for the small sum of \$5000 per month that the Moodys contributed. Mr. Nadel and the Moodys split commissions with third parties, notably with Dan Rowe, a financial blog writer. Exh. A, Rec. Rep. II at 10. A conservative estimate of Mr. Nadel's share of these commissions over the years is \$2 million.

Major expenditures were made for development and carrying costs of the various businesses that Mr. Nadel purchased, all of which have been seized by the Receiver. Although the government acknowledges the acquisition costs of these properties, it does not include any expenditures for subsequent development and carrying costs. This is despite the fact that checks the government attaches to its memorandum demonstrate, for example, that Mr. Nadel paid a total of \$182,678.00 to Tradewind, Laurel Mountain Preserve, Home Front Homes, and to Thomasville National Bank (for interest

owed) just in the first week of January, 2009.⁵ In particular, the real estate developments incurred substantial costs and earned no income because the plots were not completed and could not be sold. Thus all of these costs were paid by Mr. Nadel. A conservative estimate of these costs is \$6.5 million, approximately \$4.5 in interest payments plus \$2 million in development costs. In addition, Mr. Nadel's businesses incurred losses of at least \$1 million.

Mr. Nadel incurred significant trading losses when the markets dramatically declined in the last quarter of 2008. These losses amounted to approximately \$4.5 million. Finally, in 2008, Mr. Nadel transferred back into the funds approximately \$9.5 million from his personal accounts in order to meet increasing demands for redemptions. The trading losses combined with the amounts transferred back to the hedge funds to pay redemptions totalled \$14 million.

Thus, when this \$14 million is added to the \$7.5 million in development/carrying costs and business losses, plus the \$9 million in office expenses and commissions, it amounts to \$30.5 million. Out of the \$33 million net of taxes and acquisition costs for assets that have been seized, this leaves \$2.5 over a period of 7

⁵ The fact that Mr. Nadel used what money he had left in January to pay bills due for these various businesses, rather than to remove cash for an "escape," completely undermines the government's flight theory. If Mr. Nadel were planning to flee, why would he care about paying these bills?

years. This amount, which was certainly to acquire some of the unvalued property, as well as to pay living expenses, cannot justify the government's claim that Mr. Nadel must have access to "millions."

Thus, the funds that Mr. Nadel received are accounted for. It is unclear, then, what the Receiver's letter refers to when it states that \$28 million of the entire \$397 invested remains unaccounted for. Perhaps it is referring to some of the \$48 million that the Moodys received or to some of the overpayments to investors. The Receiver has just filed his Second Interim Report ("Rec. Rep. II"), which we attach as Exhibit A hereto. This latest report makes no reference to an unaccounted for \$28 million. Moreover, the figures set forth in that report further demonstrate the inflated nature of the government's claims. The Receiver states that the hedge funds took in slightly more than \$397 million and that investors had out of pocket losses of \$168 million. Rec Rep. II at 12. This means that \$229 million was returned to investors in redemptions. Out of the \$168 million in out of pocket losses, the Receiver states that approximately \$18 million was lost in trading. Rec. Rep. II at 9-10. Approximately \$53 million in overpayments was paid to investors, based on allegedly fictitious profits, and \$97,168,122 was paid in fees to Scoop Management and the Moodys' firms, Viking Management and Valhalla Management. Rec. Rep. II at 11-12. These figures account for the \$397 taken in by

the hedge funds. Thus, aside from the \$48 million in fees to Scoop Management, the rest was either paid to investors in redemptions, paid to Moodys, or lost in trading.⁶

⁶ The Receiver's letter attached to the government's memorandum makes reference to unspecified "recent findings." However, the only assets listed in the Receiver's Second Interim Report or on its website as having been seized after the First Interim Report are 1) a promissory note and mortgage held by Peg Nadel on a \$120,000 loan to an employee of the Victorian Florist Shop that she had assigned to the Cohen, Jayson & Foster firm in payment of legal fees incurred in this case (Rec. Rep. II, 17), and 2) the Nadel's vacation house in Fairview North Carolina, which had been purchased in 2004 for \$335,000 and carries a mortgage of \$248,560. Rec. Rep. II, 36. These assigned or encumbered assets hardly constitute a slush fund for escape money.


CONCLUSION

For the foregoing reasons and the reasons set forth in his Memorandum of Law and Fact in Support of Motion for Modification of Bail Conditions, Arthur Nadel requests an order modifying his bail conditions for pretrial release in accordance with the terms proposed in his Motion for Modification of Bail Conditions.

Dated: New York, New York
June 12, 2009

LEONARD F. JOY, ESQ.
Federal Defenders of New York, Inc.

By: _____


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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,

Relief Defendants.

THE RECEIVER'S SECOND INTERIM REPORT

I. Introduction

Burton W. Wiand, the Court-appointed Receiver for (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.; Valhalla Investment Partners, L.P.; Victory IRA Fund, Ltd.; Victory Fund, Ltd.; Viking IRA Fund, LLC; and Viking Fund LLC (collectively referred to as the "Hedge

Funds”);¹ (c) Relief Defendants Valhalla Management, Inc. and 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; and A Victorian Garden Florist, LLC (all of the foregoing are collectively referred to as the “Receivership Entities”), hereby files this Second Interim Report in order to inform the Court, the investors, and others interested in the Receivership Entities of activities to date, as well as the proposed course of action.²

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 news that might be of interest to the public. This Second Interim Report, as well as all previous and subsequent reports, will be posted on the Receiver’s website.

II. Procedural Background

On or about January 14, 2009, Arthur Nadel (“Nadel”), the Hedge Funds’ principal investment advisor and the sole officer and director of Scoop Management and sole

¹ While these funds are referred to as hedge funds in this report, the Receiver’s investigation has raised serious questions as to whether they were ever operated as legitimate investment vehicles.

² This Second Interim Report is intended to report on information and activity from March 24, 2009, through May 15, 2009. Thus, unless otherwise indicated, the information reported herein reflects the information in the Receiver’s possession as of May 15, 2009.

managing member of Scoop Capital, fled Sarasota county and disappeared for nearly two weeks. On January 21, 2009, the Securities and Exchange Commission (the "SEC" or "Commission") filed a complaint in the United States District Court for the Middle District of Florida charging the Defendants with violations of the federal securities laws (the "SEC Action"). The Commission alleges 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 asserts 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 Defendants committed multiple violations of federal securities laws.

The same day the Commission filed its complaint, the Court entered an order appointing Burton W. Wiand as Receiver for the Investment Managers and Relief Defendants (the "Order Appointing Receiver"). (*See generally* Order Appointing Receiver (Doc. 8).)

Also on that same day, on the SEC's motion, the Court entered (i) an Order of Preliminary Injunction and Other Relief as to the Investment Managers and all Relief Defendants (Doc. 7) and (ii) a Temporary Restraining Order and Other Emergency Relief as to Nadel (the "TRO") (Doc. 9). Among other things, these orders enjoined the Defendants and Relief Defendants from further violations of federal securities laws and froze their assets. On February 3, 2009, the Court entered an Order of Preliminary Injunction and Other Relief

as to Nadel (the “February 3 Preliminary Injunction”) (Doc. 29), the terms of which are essentially identical to those of the TRO.³

On January 27, 2009, on the Receiver’s motion, the Court entered an order expanding the scope of the receivership and appointing the Receiver as receiver also over the Venice Jet Center, LLC, and Tradewind, LLC. (*See* Order, Jan. 27, 2009 (Doc. 17).) On February 11, 2009, on the Receiver’s motion, the Court entered an order expanding the scope of the receivership and appointing the Receiver as receiver also over Laurel Mountain Preserve, LLC; Laurel Preserve, LLC; the Marguerite J. Nadel Revocable Trust UAD 8/2/07; and the Laurel Mountain Preserve Homeowners Association, Inc. (*See* Order, Feb. 11, 2009 (Doc. 44).) On March 9, 2009, on the Receiver’s motion, the Court entered an order expanding the scope of the receivership and appointing the Receiver as receiver also over the Guy-Nadel Foundation, Inc. (*See* Order, March 9, 2009 (Doc. 68).) On March 17, 2009, on the Receiver’s motion, the Court entered an order expanding the scope of the receivership and appointing the Receiver as receiver also over Lime Avenue Enterprises, LLC, and A Victorian Garden Florist. (*See* Amended Order, March 17, 2009 (Doc. 81).)

Pursuant to the Order 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

³ Both the TRO and the February 3 Preliminary Injunction required Nadel to make a sworn accounting to the Court and the Commission of all funds received by him from any of the Defendants or Relief Defendants and a sworn identification of all accounts in which he has an interest or has the power or right to exercise control. (Docs. 9, 29.) In response to these Orders, on March 31, 2009, Nadel submitted a letter asserting his Fifth Amendment right against self-incrimination and refused to provide this information. (Doc. 102.)

the Defendants and Relief Defendants; and take whatever actions are necessary for the protection of the investors.” (Order 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 below. On January 30, 2009, Magistrate Judge Mark Pizzo of the United States District Court for the Middle District of Florida denied Nadel’s request for a release on bond awaiting trial, deciding instead that Nadel should remain in jail based on, among other things, a risk of flight. On or about February 2, 2009, Judge Pizzo entered a Detention Order denying bail and a Removal Order requiring that Nadel be transferred to the Metropolitan Correctional Center in New York, New York to await trial. *See U.S. v. Nadel*, (U.S. Dist. Ct. M.D. Fla., Case No. 8:09-mj-01039-MAP (Docs. 5, 6)).

On February 26, 2009, Judge Denise Cote of the United States District Court for the Southern District of New York agreed to release Nadel on \$5 million bail, contingent on a number of conditions including \$1 million in cash, living restrictions, and specific bond guarantees. Judge Cote also required Nadel to fully and completely cooperate with the SEC. As of the date of this Report, Nadel has not met the conditions for bail and is still being held in the Metropolitan Correctional Center.

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 April 30, 2009, Nadel pleaded not guilty to the fifteen charges.

In the SEC Action, 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.)

III. 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 . . ." (Order 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” (Order 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 or Relief Defendants” (Order 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.” (Order Appointing Receiver ¶ 3.) As contemplated by the Order, the Receiver will ultimately institute a claims process primarily for the benefit of the Receivership Entities’ investors who have been defrauded and suffered legitimate losses as a result of the activities of Nadel and others.

IV. Overview of Preliminary Findings

The Receiver is in the process of reviewing voluminous records from the offices of Receivership Entities, as well as records from more than thirty (30) different institutions,

including banks and brokerage firms. The Receiver also is in the process of obtaining documents from additional third parties. The Receiver has formed some preliminary conclusions based on his review of a portion of the records received. While these conclusions are not final, and may change as the review becomes more complete, the Receiver believes they should be shared with the Court, the investors, and other potentially interested parties.

In the Commission's Emergency Motion and Memorandum of Law in Support of Temporary Restraining Order and Other Emergency Relief ("SEC's Emergency Motion") (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 Christopher Moody and Neil Moody, were 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 has uncovered evidence showing that the fraud began at least as early as 2003 and in all likelihood before then.

The Receiver's investigation has revealed that for each Hedge Fund, the Hedge Fund's performance as disclosed to investors from at least 2003 forward was based mainly on trading results that Nadel purported to have in brokerage transactions cleared through 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.

Table 1, below, shows a comparison of actual trading results in the Hedge Funds' Goldman Sachs accounts to the values represented to investors and to distributions paid. Specifically, for each year from 2003 to 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 (identified as "Company Represented Amounts"); (3) the actual combined total gain or loss experienced that year in the accounts for the Hedge Funds (identified as "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 Goldman Sachs accounts for the Hedge Funds (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 (identified as "Distributions").

Table 1

Year	<u>Gains/(Losses)</u>			
	Company Represented Amounts	Hedge Funds Actual Amounts (Per Goldman Sachs statements)	Difference	Distributions
2003	23,716,749	17,237,008	6,479,741	16,729,147
2004	46,950,345	4,637,878	42,312,467	49,329,387
2005	61,169,058	5,739,301	55,429,756	75,078,840
2006	50,003,778	(18,549,355)	68,553,133	75,444,122
2007	54,665,571	(24,989,307)	79,654,879	60,034,321
2008	36,334,794	(2,493,654)	38,828,448	73,443,310
Total	272,840,295	(18,418,129)	291,258,424	350,059,127

As Table 1 shows, for 2003 through 2008, the Hedge Funds' performance as represented to investors was significantly overstated and thus, false. For instance, for the years 2003 to 2008, the Investment Managers represented that the Hedge Funds' trading activity generated more than \$272 million in gains when, in reality, the Hedge Funds' investment accounts actually lost approximately \$18.4 million. Further, while the Hedge Funds lost approximately \$18.4 million for this same period, more than \$350 million was paid by the Investment Managers in distributions to investors and to themselves and others as fees. As this table shows, from at least 2003 through 2008, the Investment Managers were making distributions and paying fees that the investment performance of the Hedge Funds never supported. The Investment Managers were also 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 only served to further increase the Hedge Funds' insolvency. This negative cash flow made the eventual collapse of Nadel's enterprise inevitable.

In short, the investment returns and performance as represented to investors were based on grossly overstated performance numbers created by Nadel, and the results reported to investors were fiction. The true results of the trading activity that actually occurred was never included in data reported to investors or potential investors.

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 2003 through

2008, they paid approximately \$97,168,122 in total fees. Profit incentive fees were paid to Scoop Management, Viking Management and Valhalla Management (and sometimes split with third parties) based on a percentage of profits that never occurred and thus 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 by Neil and Christopher Moody.

Table 2

Year	Management Fees	Performance Incentive Fees	Total Fees
2003	1,521,377	5,929,187	7,450,565
2004	3,644,188	11,737,586	15,381,774
2005	5,057,633	15,292,264	20,349,897
2006	5,756,646	12,500,945	18,257,590
2007	6,206,972	13,666,393	19,873,365
2008	6,771,232	9,083,698	15,854,931
Total	28,958,048	68,210,074	97,168,122

Significant sums from the proceeds of Nadel's scheme also made their way into other accounts controlled by Nadel and/or his wife, Marguerite 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. To date, the Receiver has not uncovered any source of income for Nadel or his wife (during the time of Nadel's scheme) 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 at Section V.B. below.

To date, the Receiver has discovered and identified approximately 371 investors who invested slightly more than \$397 million. 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 "fictitious profits." At this time, the Receiver has discovered approximately \$53.5 million in such fictitious profits. Further, it appears that, although separately numbered investor accounts were used 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, distinctions made between the individual Hedge Funds and between investor "accounts" have little meaning. The documents reviewed reveal that Nadel treated the Hedge Funds as a single source of money regardless of with which Hedge Fund investors purportedly invested. The Receiver has reached the preliminary conclusion based on available research and evidence that investor funds were commingled in Nadel's and the Receivership Entities' accounts.

A. 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.⁴

Table 3
Fund Performance as Represented in Executive Summaries

Year	Valhalla	Victory	Viking	Viking IRA	Victory IRA	Scoop Real Estate
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 to date, the Hedge Funds as a whole lost significant sums from their inception. Specifically, **Table 4**, below, shows the actual account profits and losses for the Hedge Funds for the indicated time.

⁴ 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 4

Account Name	Account Profit/Losses	Overall Annualized Rate of Return
Scoop Real Estate Ltd. 2/1/04 – 12/31/08	(\$6,637,880)	-33.35%
Valhalla Investment Partners, LP 10/01/02 – 12/31/08	\$2,863,875	3.98%
Viking Fund LLC 3/01/03 – 12/31/08	(\$8,073,752)	-19.40%
Viking IRA Fund Ltd. 3/01/03 – 12/31/08	(\$2,053,443)	-24.53%
Victory Fund, Ltd. 6/01/02 – 12/31/08	\$1,825,701	-16.70%
Victory Fund, Ltd. 2/01/03 – 8/31/03	(\$66,776)	-18.45%
Victory IRA Fund, Ltd.	(\$5,941,164)	-18.63%
Hedge Fund Total	(\$18,083,439)	

Between 2002 and 2008, the highest annualized rate of return Nadel appears to have achieved was approximately 4%, while the rest of the Hedge Funds experienced annualized returns of -16.70% to -33.25%. While these actual performance numbers demonstrate the disparity between what Nadel and others were claiming the Hedge Funds were achieving and the returns the Hedge Funds were actually achieving, the performance of each individual Hedge Fund is not significant because it appears that Nadel arbitrarily allocated daily results of trading transactions among the Hedge Funds. 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 48.67% (for years with full activity).

Further, as shown in Table 5, below, 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 in the sole control of Nadel (collectively referred to herein as “Nadel’s Accounts”) experienced significant gains.

Table 5

Account Name	Account Profit/Losses	Overall Annualized Rate of Return
Scoop Capital LLC 12/01/04 – 12/31/08	\$11,331,464	49.37%
Scoop Management 10/01/02 – 12/31/08	\$737,141	36.72%
Arthur Nadel 6/01/02 – 10/31/08	\$10,781,029	71.62%
Marguerite Nadel 8/01/07 – 1/30/09	\$10,033	-15.49%
Non-Fund Total	\$22,859,667	

The trading activity in the Hedge Funds’ accounts and Nadel’s Accounts appears to have been essentially the same, and trading in those accounts was done concurrently. Virtually all trading allocated to every account was in quadruple-Qs. Given the dramatic differences in trading results in Nadel’s accounts as compared to the Hedge Funds’ accounts and preliminary information received by the Receiver concerning Nadel’s trading practices, the Receiver believes that this evidence may indicate that Nadel 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, 1302-1307 (S.D. Fla. 2007) (holding that “cherry-picking” day-trading scheme operated by officers constituted scheme to defraud under Securities Exchange Act). Analysis of the trading activity and cash flows is ongoing. However, in light of the fact that Nadel traded the same investments for all Hedge Funds and the accounts he owned and/or controlled for his benefit and that there was a wide disparity between the results allocated to

the Hedge Funds' accounts and those allocated to Nadel's Accounts, there is no apparent logical explanation other than the improper diversion of profitable transactions by Nadel.

B. Funds Located by the Receiver.

1. Funds at Inception of Receivership.

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 (which include Scoop Management, Scoop Capital, Valhalla Management, and Victory Management) had been identified and frozen pursuant to the Court's TRO and Preliminary Injunction Orders. In addition, cash and cash equivalents in financial accounts titled in the name of other Receivership Entities⁵ at the time the entities were brought into receivership were approximately \$556,654.72. Thus, total cash and cash equivalents at the inception of the Receivership and as the Receivership was expanded to include each additional Receivership Entity indicated was approximately \$1,113,413.05.⁶

2. Additional Funds Located.

One of the Receiver's highest priorities is to locate and recover any additional funds. The Receiver has retained a forensic accounting firm to assist in tracing funds. As of the date

⁵ These other Receivership Entities include Venice Jet Center, LLC; Tradewind, LLC; Laurel Mountain Preserve, LLC; Laurel Preserve, LLC; and the Marguerite J. Nadel Revocable Trust UAD 8/2/2007.

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 Sections V.B. & V.D. below.

of this report, the Receiver has also identified and recovered \$120,000.⁷ Also, on April 29, 2009, the Court granted the Receiver exclusive interest in a note and mortgage for a condominium located in Sarasota, Florida. The condominium's owner, an employee of one of the Receivership Entities (see Section V.B.6, below), had executed a promissory note payable to Mrs. Nadel for \$126,556.24. The note was secured by a mortgage held by Mrs. Nadel. On February 9, 2009, Mrs. Nadel had assigned the note and mortgage to Nadel's criminal-defense attorneys, Cohen, Jayson & Foster, P.A. The principal balance due under the note is \$124,637.64, with \$5,457.66 due in outstanding interest.

The Receiver will continue to diligently investigate, and will update the Court and the investors if additional funds are located.

3. Business and Miscellaneous Income and Interest.

From March 1, 2009 through April 30, 2009, the Receiver received \$579,205.43 in business income from ongoing operations of some Receivership Entities, \$18,056.53 in interest/dividend income, and \$2,582.18 in miscellaneous income.

4. Profiteer Settlements.

In April 2009, the Receiver sent letters to 85 investors, each of whom, according to the records in the Receiver's possession, made "fictitious profits" by receiving monies from the Hedge Funds in an amount that exceeded his or her investments (the "Profiteers"). With the SEC's approval, the Receiver offered to settle with each such investor for payment by the

⁷ This amount is comprised of two \$60,000 payments the Receiver recovered from two individuals. The Receiver determined that the transfers made to these individuals in the amount of \$60,000 each were an improper diversion of investor funds and obtained court orders to recover these funds.

investor of 90% of his or her fictitious profits.⁸ Collectively, if accepted, these settlements would yield \$14,586,005.14. As of May 15, 2009, the Court has approved five profiteer settlements totaling \$683,778.64. Settlement discussions with other profiteers are ongoing. The Receiver continues to work to identify additional profiteers and intends to send settlement offers to additional profiteers in the near future.

V. 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.

A. Taking possession of Receivership Property.

1. Physical premises and tangible assets.

On the day of his appointment, the Receiver took possession of the Receivership Entities' offices at 1618 Main Street, Sarasota, FL 34236 (the "Office"). The Office was used by Nadel as the headquarters for administering his control of the Receivership Entities. The Receiver secured the premises by changing the locks and inventoried all of the physical property at the premises. The Receiver has provided change of address notifications to the United States Postal Service and Federal Express, as well as all known service providers to the Receivership Entities.

Since the filing of the last Interim Report, the Receiver ended the Office's lease; turned over the keys; and sold the office furniture and other items for \$3,500.00. All of the documents from the Office have been moved to the Tampa offices of Fowler White Boggs P.A. The Receiver also removed several servers and computer-related equipment from the

⁸ See Section V.D.1 below, regarding litigation against profiteers.

premises that were used by the Receivership Entities and Mr. Nadel. The Receiver retained experienced forensic information technology experts with the firm E-Hounds, Inc., to assist in securing and analyzing the electronic data on the computers. E-Hounds personnel have secured the data and are underway in their forensic analysis.

Since obtaining control of the Receivership Entities, the Receiver and his professionals have had discussions – including continuing discussions – with a number of people associated with Nadel and/or the Receivership Entities, including officers of some of the Receivership Entities and persons responsible for maintaining the financial books of Receivership Entities, for operating the business of Receivership Entities, for performing accounting services, and for administering the Hedge Funds.

The Receiver and his professionals have also reviewed documents located in the Office; documents obtained from the accountant for one or more Receivership Entities; information stored on the Receivership Entities' computer network; documents obtained from other businesses controlled by Nadel; documents obtained from financial institutions and other third parties, including lawyers and others who assisted Nadel's businesses with their transactions; and information available in the public record.

B. Expansion of the Receivership.

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; and A Victorian Garden Florist, LLC. The Receiver's investigation revealed that Nadel had control and/or a full or partial interest in these additional businesses and that they were purchased and/or funded with money derived from Nadel's fraudulent investment scheme. Further, by virtue of Scoop Capital's ownership interest in Home Front Homes, LLC and Summer Place Development Corporation the Receiver also has control of these entities but, for various reasons, a formal order expanding the Receivership to include Home Front Homes or Summer Place Development has not been sought.

The following discussion of these entities includes a description of assets the Receiver has acquired as a result of their inclusion in the Receivership. 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, it is important to note that any such estimations, valuations or appraisals are subject to change. In particular, 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. Its principal address is the Office, and Nadel was its registered agent and the managing member. The assets of VJC were purchased with proceeds of Nadel's scheme, and over time additional proceeds of the scheme were transferred to VJC. VJC is a viable business with potential to generate assets for the Receivership estate.

On January 27, 2009, the Court expanded the Receivership to include VJC. VJC is a fully operating fixed-base operator, or "FBO," business. It includes a flight school, fueling

service, hangar rentals, and a café. Since the Receiver's appointment as Receiver of VJC, he has taken control of it and is continuing to operate the business. The Receiver is continuing VJC's longstanding pursuit of a permit to build new hangars at the VJC. The Receiver believes that the permit to build more hangars, which was requested well before the Receiver's appointment, will make the VJC more attractive to potential purchasers and ultimately increase the value of the business.

The Receiver has possession and control of a building owned by VJC located at 400 Airport Avenue East, Venice, Florida, 34285 (the "VJC Building"). The VJC Building has one known encumbrance: a loan with Northern Trust Bank, N.A., on which there is a remaining balance of \$1,963,790.00.

The Receiver has encountered some problems in connection with the ongoing management of the VJC. The City of Venice (the "City"), in contravention of its lease and specific direction from the Federal Aviation Authority ("FAA"), has refused to grant VJC authorization to develop four hangars at the VJC facility. The City officials have publicly announced their intent to terminate the VJC lease with the City and take over VJC's operations. The Receiver intends to vigorously resist any unwarranted interference by the City with what appears to be a substantial and valuable property right of VJC (and of the Receivership estate). On May 14, 2009, the Court granted the Receiver's request for leave to file a complaint against the City of Venice pursuant to Title 14 of the Code of Federal Regulations, Part 16. (Doc. 132.) As of the date of filing this Report, the City has not yet voted on whether it intends to further resist the development of the hangars at the VJC.

The Receiver estimates VJC has significant value in excess of the funds owed to Northern Trust. However, this value is subject to change depending on the resolution of the hangar permit issue. The Receiver has received significant interest in the purchase of VJC and continues to actively marketing the business. Parties interested in marketing or purchasing this property should contact the Receiver directly.

2. Tradewind, LLC.

The information reviewed to date shows that Nadel was also the managing member of Tradewind, LLC ("Tradewind"). 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 its registered agent, and Tradewind's principal address was the Office. The Receiver discovered that Tradewind owned and controlled five planes and one helicopter. Tradewind also owns 31 airport 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. Similar to VJC, Tradewind appears to be a viable business with potential to generate assets for the Receivership estate.

On January 27, 2009, the Court expanded the Receivership to include Tradewind. Tradewind is a fully operating business. 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 \$28,000 in monthly rent (mainly from the hangars) and incurs varying monthly expenses, which include land rent, loan payments, payroll, 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. The Georgia Hangars have one known encumbrance: a loan with the Bank of Coweta with a remaining balance of approximately \$958,265.79, 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 also gained possession and control of the five planes and helicopter. The following table shows the year, model, and known encumbrances relating to each aircraft.

Aircraft in Receiver's Possession

Model	Year	Type of Aircraft	Known Encumbrance
Piper PA-28/140	1971	Airplane	None.
Cessna 152	1978	Airplane	None.
Learjet 31A	1996	Airplane	Loan with General Electric Capital Corporation ("GECC") entered into on May 17, 2006, for approximately \$2.4 million.
Citation	1992	Airplane	Loan with VFS Financing, Inc. ("VFS") entered into on May 23, 2008, for approximately \$2.1 million
Baron	1977	Airplane	None.
Schweizer 300	1997	Helicopter	None.

On April 17, 2009, the Court authorized the sale of the Schweizer helicopter for \$200,000.00. (Doc. 108.) On May 1, 2009, the Court authorized the Receiver's settlements with GECC and VFS to dispose of the Learjet and the Citation, respectively, in full satisfaction of the respective loans. (Doc. 119.) Because it appeared that the aircraft were

valued significantly less than the amount of the loans on the aircraft, the Receiver determined that these settlements were in the best interest of the receivership. The Receiver is currently evaluating the value of the other three aircraft and determining the appropriate method of their disposition.

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

The Receiver's investigation revealed that Laurel Mountain Preserve, LLC ("Laurel Mountain"), was a North Carolina limited liability company formed in or about December 2003. Laurel Mountain was "withdrawn" as a limited liability company in January 2006. Its principal address was the Office, and its manager and member was Nadel. Laurel Preserve, LLC ("Laurel Preserve"), was formed as a North Carolina limited liability company in February 2006. Its principal address was the Office, Nadel was its registered agent, and the "Registered Office" address was a home in Fairview, North Carolina titled in the names of Nadel and his wife. The manager was Nadel, and although Laurel Preserve's 2006 Operating Agreement identifies Nadel and his wife as members of Laurel Preserve with each having made a "capital contribution" of \$750, the Laurel Preserve 2007 federal income tax return identifies Scoop Capital as owner of 100% of Laurel Preserve.

Laurel Mountain Preserve Homeowners Association, Inc. (the "HOA"), is a North Carolina non-profit corporation formed in March 2006. Its principal address was the Fairview, North Carolina home, and its registered agent was Nadel.

Documentation reviewed and information obtained by the Receiver showed 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”). The Laurel Mountain Property was originally purchased by Laurel Mountain in 2003 and then “sold” to Laurel Preserve in February 2006. Laurel Mountain provided financing for that purchase in the form of a \$2,900,000 loan to Laurel Preserve.

According to documentation retrieved from the Office, Laurel Mountain and Laurel Preserve received significant funding in the form of “loans” from Scoop Capital, Scoop Management, Tradewind, Nadel and Mrs. Nadel and BB&T Bank. 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 on this property that, according to the Buncombe County Property Appraiser, is valued at \$319,800. The Laurel Mountain Property 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, N.A. There is a monthly payment of \$5,149.66 due on this latter loan and the Receiver presently is not making payments on this loan. The third encumbrance is an easement of approximately 169 acres of the Laurel Mountain Property, which was granted to a land conservancy in 2005. It appears that this donation was made in part for the Nadels’ own tax benefit. The Receiver is contemplating

whether it would be in the best interests of the Receivership to seek to recover this easement from the conservancy as it may create an exponential increase in the value of the full acreage.

The Receiver has consulted with a realtor who previously listed the property and is entertaining offers to purchase or proposals to market this developed property either by lot or in its entirety. The Receiver is still evaluating the current value of this property, but it appears that the value is higher than the amount of the encumbrances. For more information regarding this property, please refer to <http://www.laurelmountainpreserve.com/>. Parties interested in marketing or purchasing this property should contact the Receiver directly.

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 trustee is identified as Mrs. Nadel. 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. It also revealed that Nadel controlled the account in which the money held by the Trust purchased and sold securities. Significantly, as alleged in the criminal complaint against Nadel, in an apparent note Nadel left for his wife before fleeing, he instructed her to "use the trust (yours) to your benefit as much and as soon as possible." *United States v. Nadel*, Case No. 09 MAG 169 (S.D.N.Y.), Compl. ¶ 17, attached as Exhibit 14 to the Receiver's Declaration in Support of Second Unopposed Motion to Expand receivership (Doc. 37-15).

Since the Receiver's appointment as Receiver of this Trust, he has taken control of the bank account owned by the Trust. Currently, there is approximately \$381,142.34 remaining in this account.

5. Guy-Nadel Foundation, Inc.

The Guy-Nadel Foundation, Inc. (the "Foundation"), is a Florida non-profit corporation formed in December 2003 for "charitable, educational and scientific purposes." Nadel was the Foundation's incorporator and its registered agent. Further, according to its 2006 federal tax return, the Foundation's President is Nadel. The Foundation's current principal address is the Office.

The Receiver has gathered information that indicates the Foundation was funded with proceeds of Nadel's scheme, which were transferred directly from Scoop Capital or indirectly through transfers from the Nadels' personal accounts. In addition, in December 2003 and December 2004, the Foundation was deeded approximately 22 lots located in North Carolina from Laurel Mountain and Nadel and his wife. These lots are essentially adjacent to each other. 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. At the time of those transactions, Nadel was already perpetrating his scheme, and essentially all of the Nadels' income was derived from that scheme.

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.D.1.a, below) owned by the Foundation. According to the Thomas County Tax Assessor's Office, one of the parcels is approximately 1.17 acres with a

land value of \$30,762 and a free-standing garage with a value of \$3,928. The other parcel is .12 acres with a land value of \$4,276.

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.

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

Lime Avenue Enterprises, LLC ("Lime") is a Florida limited liability company formed in August 2006 for "any and all lawful business." 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 the Nadel's for the specific purpose of purchasing the Lime Building. The Lime Building houses a flower shop, which is owned by A Victorian Garden Florist, LLC ("Victorian Garden"), a Florida limited liability company formed 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. Since the Receiver's appointment as Receiver of these entities, he has taken control of them and is working on reviewing their books and records and determining the most prudent course of action to take. In that regard, the Receiver is evaluating whether the flower shop's operations are profitable and whether it is in the best interest of the Receivership estate to maintain ownership of this business.

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 is presently attempting to determine the value of this property. The Receiver also has possession and control of two vans owned by Lime: a 1999 Ford van and a 2003 Dodge van. The Receiver does not have any estimation of value of these vans at this time. There are no known encumbrances on these vans.

7. Home Front Homes, LLC.

Home Front Homes, LLC (“Home Front Homes”) is a Florida limited-liability company that was formed in 2006 for the purpose of “any and all lawful business.” The Receiver has not sought a formal order expanding the Receivership to include Home Front Homes. However, as of April 15, 2008, Nadel was the sole managing member of Home Front Homes, and Scoop Capital owns a majority equity interest in Home Front Homes. By virtue of this controlling interest, the Receiver has assumed control over Home Front Homes and is directing the operation of that company for the benefit of the Receivership estate.⁹

⁹ On behalf of Home Front Homes, the Receiver initiated a lawsuit against Brian C. Bishop, a former employee who also had an ownership interest in Home Front Homes. Home Front Homes sued Mr. Bishop for breach of non-compete covenants in his employment agreement and of a purchase agreement (wherein Home Front Homes purchased the assets, goodwill, and customers of Mr. Bishop’s company, Home Front, Inc.), as well as breach of a promissory note and tortious interference with a business relationship. Since ending his employment with Home Front Homes, Mr. Bishop had started a competing business in direct violation of his non-compete agreement and had solicited Home Front Homes customers. The Receiver, through Home Front Homes, instituted this litigation to preserve the value of Home Front Homes for the Receivership estate.

(footnote cont’d)

Home Front Homes is engaged in the business of manufacturing, marketing, and selling energy-efficient homes. Home Front Homes is an operating business. The Receiver intends to sell Scoop Capital's equity interest in this entity in a manner which would be most beneficial to the Receivership estate. To date, the Receiver has not sought to bring this business as a whole into the Receivership and likely will not do so absent a necessity to protect the operation from creditors while the business or the Receiver's interest therein is being sold. The Receiver is currently negotiating the sale of the receivership's interest in this business. If a transaction is confirmed, the Receiver will apply to the Court for approval of the sale of the Receiver's interest. Parties interested in marketing or purchasing this business should contact the Receiver directly.

8. Summer Place Development Corporation.

Summer Place Development Corporation ("Summer Place") is a Florida company that was formed in 2005 for the purpose of "any and all lawful business." The Receiver has not sought a formal order expanding the Receivership to include Summer Place. However, as of January 20, 2007, Nadel was 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.

This matter has been settled and the litigation is no longer pending. Mr. Bishop was asked to comply with the restrictive covenants, and the company forgave certain purported debt owed from Mr. Bishop to Home Front Homes, which debt appeared uncollectible.

Summer Place is the owner of a proposed affordable residential housing development site in Manatee County, Florida. Summer Place is an operating business. The Receiver intends to sell Scoop Capital's equity interest in this entity in a manner which would be most beneficial to the Receivership estate. Parties interested in marketing or purchasing this business should contact the Receiver directly.

C. Securing Receivership Funds.

Upon his appointment, the Receiver was initially concerned that the Receivership Entities might hold positions in volatile securities that would require an exit strategy to avoid or minimize losses. The Receiver immediately investigated the nature of the Receivership's holdings and determined that no such exit strategies were required because almost all of the relatively liquid holdings were in cash or cash equivalents.¹⁰

The Receiver coordinated with the SEC to move swiftly to freeze all funds of which they were aware. The Receiver and his attorneys engaged in a preliminary review of documents and other information for the purpose of identifying institutions that potentially held relevant financial accounts or lines of credit. The Receiver immediately forwarded copies of the asset freeze orders to the pertinent institutions and confirmed that they understood their obligations under the freeze orders.

Receivership funds are currently being held in six different institutions: (1) Northern Trust Bank, N.A.; (2) Wachovia Bank, N.A.; (3) Shoreline Trading Group, LLC; (4) Branch Banking and Trust Company ("BB&T"); (5) Bank of Coweta; and (6) Thomasville National Bank. VJC also maintains an insignificant amount of funds in a small operating account with

¹⁰ See Section V.D.2.b. *infra* for a discussion of the Receivership estate's securities holdings.

Bank of America. Attached as Exhibit A to this Interim Report is a cash accounting report showing the amount of money on hand at inception of the Receivership (January 21, 2009) less operating expenses plus revenue through April 30, 2009. This cash accounting report does not reflect non-cash or non-cash equivalent assets. Thus, the value of all property discussed in Section V.B. above and Section V.D. below is not included in this report. All Receivership funds are currently being held in non-interest bearing accounts. The Receiver is contemplating the most appropriate action to take with respect to these funds in light of the current state of the economy and financial institutions. He will likely consolidate the funds into one to three institutions and will explore the relative benefits and risks of moving the funds into interest-bearing accounts and/or revenue-generating investments.

D. Other Assets Recovered.

In addition to the assets discussed in conjunction with the expansion of the Receivership in section V.B. above, the Receiver has also recovered a number of other assets, most of which are in the process of being valued, assessed, and otherwise analyzed for liquidation, disposition, or other action. Again, given the state of the U.S. economy at the time of submission of this Report, the Receiver emphasizes that any estimates, appraisals, or valuations are subject to change because of market forces. In particular, due to the poor state of the real estate markets, the estimates provided in section V.D.1 below may be significantly different from the amounts realized upon selling such real property.

1. Real Property.

a. Thomasville, Georgia.

The Receiver has possession and control of approximately 14 acres in Thomasville, Georgia (the "Thomasville Property"). The Thomasville Property encompasses 45 lots, 44 of which are vacant. A home on one of the Thomasville Property lots was built by Home Front Homes. After its purchase, approximately \$750,000 of infrastructure was added to the Thomasville Property. The Thomasville Property is fully developed: infrastructure and utilities are currently in place and are fully functional. First Realty & Appraisal Services, Inc., prepared appraisal reports of two lots on the Thomasville Property. As of February 5, 2009, the lot with the home on it was valued at \$123,500. Also as of February 5, 2009, a vacant lot on the Thomasville Property was valued at \$14,000.

The Thomasville Property has two known encumbrances. The first encumbrance is a \$600,000 loan, on which a \$571,816 balance is due. All interest has been paid for the year 2008, and no interest is due until December 2009. The second encumbrance is a loan for \$141,366 for the construction of the house. Both of these loans mature in December 2009. The Thomasville Property currently is not generating any income.

The Thomasville Property is ready for sale with 45 lots having all utilities, roads, and other improvements. RE/MAX of Thomasville had previously listed the property on its website. The Receiver is presently determining the appropriate method and agents to use to market this property. Parties interested in marketing or purchasing this property should contact the Receiver directly.

b. Grady County, Georgia.

The Receiver very recently was made aware of approximately 37.5 acres owned by Scoop Capital in Grady County, Georgia (the "Grady Property"). According to Grady County public records, the land value of the Grady Property in 2008 was \$151,125. The Receiver is currently determining the best course of action to take regarding this land. Parties interested in marketing or purchasing this property should contact the Receiver directly.

c. Graham, North Carolina.¹¹

The Receiver has possession and control of a building located at 841 South Main Street, Graham, North Carolina 27253 (the "Rite-Aid Building"). This building was purchased for \$2,655,000 and is currently being leased to a Rite-Aid Pharmacy for \$33,073.08 per month under an absolute net lease.¹² The Rite-Aid Building has one known encumbrance: a loan with Wachovia Bank on which there is a remaining balance of approximately \$2,655,000. Parties interested in marketing or purchasing this property should contact the Receiver directly.

¹¹ The properties described in this subsection and the following subsections d, e, and f appear to have been purchased through Scoop Real Estate Fund. However, in light of the commingling of assets among all Receivership Entities, these properties appear to be appropriately attributed as general assets of the Receivership estate.

¹² Under an "absolute net lease," a tenant is required to pay all operating expenses of the property, and the landlord receives a net rent.

d. Raleigh, North Carolina.

The Receiver has possession and control of a building located at 4905 Waters Edge, Raleigh, North Carolina 27060 (the "EDS Building"). This building was purchased for \$1,900,000 and is currently being leased to Electronic Data Systems ("EDS"), a technology services provider, for \$29,688.54 per month under a double net lease.¹³ The EDS Building has no known encumbrances. Parties interested in marketing or purchasing this property should contact the Receiver directly.

e. Tupelo, Mississippi.

The Receiver has possession and control of a building located at 2433 West Main Street, Tupelo, Mississippi 38801 (the "Starbucks Building"). This building was purchased for \$941,000 and is currently being leased to Starbucks (Store #8809) for \$5,745.83 per month under an absolute net lease. The Starbucks Building has no known encumbrances. Parties interested in marketing or purchasing this property should contact the Receiver directly.

f. Newnan, Georgia.

The Receiver has possession and control of a gas station located at 5 McCollum Station, Newnan, Georgia 30265 (the "Gas Station"). This gas station was purchased for \$2,450,000 and is currently being leased to a Shell Gas franchisee for \$10,800 per month. The Gas Station has no known encumbrances. Parties interested in marketing or purchasing this property should contact the Receiver directly.

¹³ Under a "double net lease," the tenant pays all taxes and insurance expenses that arise from the use of the property. The tenant pays rent, and the landlord pays maintenance expenses.

g. Fairview, North Carolina.

On March 30, 2009, the Court granted the Receiver's motion (Doc. 98) for possession of property located in Fairview, North Carolina (the "Fairview Property"). (Doc. 100.) On June 14, 2004, Nadel and his wife purchased the Fairview Property for \$335,000.00. The Fairview Property was a secondary residence of the Nadels that is located in the mountains of North Carolina near the large property owned by Laurel Preserve, LLC (see Section V.B.3, above). The Fairview Property has one known encumbrance: a loan with BB&T Bank on which there is a remaining balance of approximately \$248,560.62. Parties interested in marketing or purchasing this property should contact the Receiver directly.

2. Vehicles and Other Items.

a. Vehicles.

The Receiver assumed control of three vehicles: (1) 2008 Mercedes-Benz E63 ("Mercedes"); (2) 2009 Volkswagen EOS ("Volkswagen"); and (3) Maserati Grand Turismo ("Maserati"). These vehicles were used by Neil and Christopher Moody. The Mercedes and Volkswagen were leased by Valhalla Management. Because there was no value to these vehicles and only the continuing obligation of lease payments, the Receiver surrendered them to the leasing company without penalty and without the lessor retaining any claim to Receivership assets. The Maserati was leased by Viking Management. As with the Mercedes and Volkswagen, because there was no value to this vehicle and only the continuing obligation of lease payments, the Receiver surrendered the Maserati to the leasing company without penalty and without the lessor retaining any claim to Receivership assets.

b. Other Items.

The Receiver has also recovered a myriad of other items that he may be able to sell, including a variety of furniture, fixtures, computers, and miscellaneous supplies. The Receiver will take reasonable efforts to maximize the amount he is able to recover from the possible sale of all of these items.

The Receivership Entities also have a certificate of deposit ("CD") and a promissory note. Northern Trust Bank issued the CD for approximately \$1.5 million. There is also a loan with Northern Trust for \$1.5 million with a maturity date of December 1, 2011. The Receiver is still reviewing the nature of this loan and its relationship to the CD. The promissory note is from Quest Energy Management and two individuals to Valhalla Investment Partners in the amount of \$1,100,000. Interest is being paid on this note.

The Receiver also has two promissory notes that were executed by Valhalla Investment Partners, L.P., and Bonds.com, Inc. ("Bonds.com"). One of the notes is for \$400,000.00 with 9% interest secured by the domain name www.bonds.com. Bonds.com paid all of the interest due on this note, and the parties amended and revised the note in the best interest of the Receivership. The \$400,000.00 note is due on October 31, 2009, per a six-month extension granted by the Receiver. The other note is for \$203,800.00; is due to mature on September 22, 2010; and is still owing and outstanding. The \$203,800 note is a convertible note that can be converted into equity for the company at the Receiver's option.

E. Litigation.

1. False Profits Obtained by Some Investors.

As discussed above in Section IV.B.4, the Receiver has determined that some purported investor accounts received monies in an amount that exceeded their investments. The Receiver intends to seek to recover these fictitious profits and redistribute the funds more equitably among investors holding legitimate and allowed claims. The Receiver has continued to move toward initiating these “clawback” lawsuits by filing a Motion to Reappoint Receiver (Doc. 139). That motion was granted on June 3, 2009

2. Moodys.

From the Receiver’s investigation to date, it appears that a significant portion of activities of certain Hedge Funds were managed and directed by Christopher and Neil Moody. The Receiver believes that the Moodys had fiduciary responsibility with respect to the management of these Hedge Funds. From the documentation reviewed to date, the Moodys have received millions of dollars as a result of their efforts and participation in Nadel’s activities. The Receiver is preparing to institute appropriate legal action against the Moodys to recover this money and assets that were acquired with this money.

3. Recipients of Commissions.

Information available to the Receiver reveals that several individuals received commissions in connection with distribution of investments by the Receivership Entities. The Receiver is considering instituting litigation to seek the recovery of all such sums.

4. Other Litigation.

The Receiver previously has been contacted by the law firm of Johnson, Pope, Bokor, Ruppel & Burns, LLP (“Johnson Pope”) regarding the institution of a class action against

Holland & Knight, the law firm that prepared the private placement memoranda used to solicit investors into the Nadel scheme. On March 20, 2009, Johnson Pope on behalf of Michael Sullivan and others similarly situated, instituted a class action suit against Holland & Knight, *Michael Sullivan v. Holland & Knight LLP*, Case No. 09-cv-0531-EAJ (M.D. Fla.). Should Johnson Pope be successful in this litigation it is likely that the claims process created for the Receivership estate for distributions to investors with legitimate and allowed claims will be used to distribute any proceeds.

The Receiver continues to examine the actions of other professionals and businesses that provided services to Receivership Entities to determine whether he needs to take additional steps with respect to any of those professionals and businesses to recover assets for the receivership.

F. Investigating Receivership Affairs, and Recovering Receivership Funds.

The Receiver has retained the services of PDR Certified Public Accountants ("PDR"), forensic accountants, to assist in investigating and analyzing the flow of funds both in and out of the Receivership Entities, and to assist in locating additional funds, if any. The Receiver has also retained the services of Riverside Financial Group ("Riverside"), financial analysts to assist in investigating and analyzing all of the trading activity. In conjunction with the Receiver, PDR and Riverside are further attempting to identify additional individuals and/or entities who may be in possession of Receivership funds. PDR will also assist in determining the amount of each investor's loss.

VI. The Next Sixty Days

The Receiver has received only a portion of the documents he has subpoenaed from third parties. It will be necessary to obtain and review all such documents in order to complete an understanding of the flow of funds through the Receivership Entities, to identify any additional sources of recovery, and to prepare an accounting. The Receiver is working diligently on this task, but without knowing the volume of documents he expects to receive, it is difficult to estimate the time needed for completion.

During this process, the Receiver is also compiling and analyzing individual investor accounts. This is a necessary task to assess and administer investor claims. The Receiver will likely ask all investors to send him copies of all documentation related to their investments in the Hedge Funds. He will review and analyze all documents relating to each investment to determine the amounts owed, if any, to each investor. The Receiver does not expect to commence the claims process until late 2009 or early 2010. The Receiver will provide a more definitive time estimate as his analysis progresses.

The Receiver is also reviewing information to determine if any third parties may have liability either to the Receivership estate or investors. In this regard it should be anticipated that the Receiver will bring actions in the future.

The Receiver will continue to attempt to locate additional funds and other assets and, if appropriate, will institute proceedings to recover assets on behalf of the Receivership Entities. In an effort to more fully understand the conduct at issue and in an attempt to locate more assets, the Receiver will continue to conduct interviews and/or depositions of parties and third parties with knowledge.

The Receiver will also continue the operations of all ongoing businesses of the Receivership Entities to maintain and, if possible, enhance their value. The Receiver will continue to market properties for sale and entertain offers for purchase.

VII. Conclusion.

Creditors and investors in the Receivership Entities are encouraged to periodically check the informational website (<http://www.nadelreceivership.com/>) for current information concerning this Receivership. The Receiver and his counsel have received an enormous amount of emails and telephone inquiries and have had to expend significant resources to address them. To minimize those expenses, creditors and investors are strongly encouraged to consult the Receiver's website before contacting the Receiver or his counsel. However, the Receiver continues to encourage individuals or attorneys representing investors who may have information that may be helpful in securing further assets for the Receivership estate or identifying other potential parties who may have liability to either the Receivership estate or investors directly to either email ksalo@fowlerwhite.com, or call Kathy Salo at 813-228-7411.

Dated this 9th day of June, 2009.

Respectfully submitted,

s/ Burton W. Wiand
Burton W. Wiand, Receiver

FOWLER WHITE BOGGS P.A.
501 E. Kennedy Blvd., Suite 1700
Tampa, Florida 33602
Phone: 813-228-7411
Fax: 813-229-8313

Fund Accounting (See Instructions):		Detail	Subtotal	Grand Total
*Line 1	Beginning Balance (As of 03/01/09):			1,299,779.30
	Increases in Fund Balance:			
Line 2	Business Income	579,205.43		
Line 3	Cash and Securities	139,101.80		
Line 4	Interest/Dividend Income	18,056.53		
Line 5	Business Asset Liquidation	5,100.00		
Line 6	Personal Asset Liquidation	-		
Line 7	Third-Party Litigation Income	9,817.36		
Line 8	Miscellaneous - Other	2,582.18		
	Total Funds Available (Line 1 - 8):		753,863.30	2,053,642.60
	Decreases in Fund Balance:			
Line 9	Disbursements to Investors			
Line 10	Disbursements for Receivership in Operations			
Line 10a	Disbursements to Receiver or Other Professionals			
Line 10b	Business Asset Expenses	485,112.45		
Line 10c	Personal Asset Expenses	-		
Line 10d	Investment Expenses			
Line 10e	Third-Party Litigation Expenses			
	1. Attorney Fees			
	2. Litigation Expenses			
	Total Third-Party Litigation Expenses			
Line 10f	Tax Administrator Fees and Bonds			
Line 10g	Federal and State Tax Payments	11,098.99		
	Total Disbursements for Receivership Operations		496,211.44	496,211.44
Line 11	Disbursements for Distribution Expenses Paid by the Fund:			
Line 11a	Distribution Plan Development Expenses:			
	1. Fees:			
	Fund Administrator			
	Independent Distribution Consultant (IDC)			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Miscellaneous			
	Total Plan Development Expenses			

*Line 1 Doesn't include \$1.5m Scoop Capital CD/will be paying \$1.5m loan

Fund Accounting (See Instructions):		Detail	Subtotal	Grand Total
<i>Line 11b</i>	Distribution Plan Implementation Expenses:			
	1. Fees:			
	Fund Administrator			
	IDC			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Investor Identification:			
	Notice/Publishing Approved Plan			
	Claimant Identification			
	Claims Processing			
	Web Site Maintenance/Call Center			
	4. Fund Administrator Bond			
	5. Miscellaneous			
	6. Federal Account for Investor Restitution (FAIR) Reporting Expenses			
	Total Plan Implementation Expenses			
	Total Disbursements for Distribution Expenses Paid by the Fund			
<i>Line 12</i>	Disbursements to Court/Other:			
<i>Line 12a</i>	Investment Expenses/Court Registry Investment System (CRIS) Fees			
<i>Line 12b</i>	Federal Tax Payments			
	Total Disbursements to Court/Other:			
	Total Funds Disbursed (Lines 9 - 11)			
<i>Line 13</i>	Ending Balance (As of 04/30/09)			1,557,431.16
<i>Line 14</i>	Ending Balance of Fund - Net Assets:			1,557,431.16
<i>Line 14a</i>	Cash & Cash Equivalents			1,557,431.16
<i>Line 14b</i>	Investments			
<i>Line 14c</i>	Other Assets or Uncleared Funds			
	Total Ending Balance of Fund - Net Assets			1,557,431.16

ANIL B. DEOLALIKAR •

1984 Sycamore Hill Drive, Riverside, CA 92506

January 19, 2009

Detective Jack Carter
Economic Crimes Unit
Sarasota Police Department
Sarasota, FL

Dear Detective Carter:

Re: Anil Deolalikar's Investments with Viking Management, LLC

It was good to speak to you on the telephone yesterday. Here are the details of my investment with Viking Management, LLC, owned and operated by Neil and Christopher Moody.

My first contact with this investment adviser occurred in October 2003, when they sent me some promotional materials and a prospectus for their various investment products. I was shown the history of the fund's investment returns, and made to understand that the fund delivered steady returns month after month via short-term trading of index tracking stocks. Since the bulk of the trading was short-term and the overwhelming majority of trades were closed at the end of the day, I was told that there was limited risk in this type of trading. I was also given to understand that the principals of the firm would be actively managing this fund, and that trading was not going to be sub-contracted to any other entity or individual.

I asked Mr. Christopher D. Moody for some references. He provided me with a couple of names of other clients of the firm, whom I called at that time to verify this adviser's *bona fides*. (As it has been five years since this event, I cannot now recollect the names of the other clients I had spoken to in October/November 2003.) After getting positive references, I invested \$250,000 with the firm as of December 1, 2003. After receiving notice of a return of 2.76% for the month of December 2003 itself, I invested another \$150,000 in January 2004 and a further \$250,000 in February 2004.

During the entire five-year period, I have dealt with only two individuals at the firm: Mr. Christopher D. Moody, who is Vice President and Treasurer of Viking Management, LLC, and Mr. Andrew Martin, who is the Fund Administrator. Most of my requests for partial funds redemption were made in writing through Mr. Andrew Martin.

Below I show all the funds I had deposited to and redeemed from my account at Viking Management, LLC, between December 2003 and now.

Telephone: (951) 743-2985 • Fax: (714) 649-5260 • Email: anildeolalikar@hotmail.com

Anil Deolalikar

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<i>Month/Year</i>	<i>Amount of capital invested</i>	<i>Amount redeemed</i>
December 2003	\$250,000	
January 2004	\$150,000	
February 2004	\$250,000	
May 2004	\$460,000	
December 2004	\$244,000	
April 2005		\$60,000
August 2005	\$249,000	
October 2005	\$30,000	
February 2006	\$37,000	
April 2006		\$100,000
November 2006	\$35,000	
April 2007		\$100,000
April 2008		\$125,000
May 2008	\$68,000	
TOTAL	\$1,773,000	\$385,000

As you can see from the above table, I invested a net amount of \$1,388,000 over the course of the last five years with Viking Management, LLC.

I received regular monthly statements from the firm both via US postal mail and via fax. In addition, I received monthly letters from the fund's management team, which discussed the fund's returns during the previous month in the context of overall trends in the U.S. equity markets. I had no reason to suspect that anything was wrong, since all four partial redemptions I had requested between April 2005 and April 2008 were always handled promptly. (Incidentally, I always respected the fund's redemption rule that redemptions had to be requested one month before the close of a quarter, in which case the funds would be wired to a client's bank account in the first week of the subsequent quarter.)

I spoke regularly with Mr. Andrew Martin and Mr. Christopher D. Moody over the years - almost on a monthly basis. I asked about their trading strategies and their exposure to risk. I also remember asking Mr. Moody in a phone conversation in February 2008 as to why the firm was not having its books audited and certified by an external auditor. I had seen this done at other hedge fund firms, but not at Viking Management, LLC. Mr. Moody had told me that they had an internal accountant in place who audited the books regularly, but that they did not see the need for engaging the services of an external auditor.

Because of the turmoil in the markets, I spoke to Mr. Moody even more frequently during the fall of 2008. He assured me that the firm was following a very conservative trading strategy and had been largely unscathed by the market debacle in October 2008. I also remember vividly having a phone conversation with him in December 2008 after the Madoff scandals had come to light. I asked him if there was any possibility of a rogue trader in the firm who was making trades without the knowledge of the principals. He assured me there was no such possibility, and that the principals were always vigilant about monitoring all trades.

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I was reassured by the conversations with Mr. Moody and placed complete trust in him and in the Valhalla Investment Partners, LP. I therefore made no attempt to redeem all my holdings or even a significant portion of my holdings with Valhalla Investment Partners, LP. On November 22, 2008, I submitted a written redemption request to Viking Management, LLC, to wire funds in the amount of \$125,000 in January 2009. I was planning to use these funds to pay my taxes for 2008.

The last communication I received from Valhalla Investment Partners, LP, was the end-of-the-quarter letter from the principals and a monthly statement for the month of November 2008. This showed the monthly returns for November 2008 as 0.54%, the year-to-date return for the period January-November 2008 as 8.5%, and my outstanding balance in the fund at \$2,799,000.16. I am attaching to this letter the following:

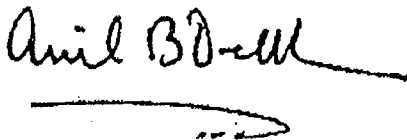
- Four most recent monthly return statements I received from Valhalla Investment Partners, LP (covering the period August-November 2008)
- Five most recent letters from the management (September-December 2008)
- First monthly return statement I received (covering the period December 2003)
- First two letters I received from Viking Management, Inc., acknowledging receipt of my initial investment in the fund

My first indication of trouble was when I did not receive the requested redemptions by January 15, 2009. Normally, funds from most prior redemptions had been wired to me in the first few days of a quarter. When I called Mr. Andrew Martin on January 15 at about 11:45 am PST, he gave me the shocking news that Mr. Nadel had been missing since the previous day and there was concern that the funds might have no remaining value. Needless to say, I was in a state of total shock. After five years with this firm, I had not expected my relationship to end this way.

I would be grateful if you could share my letter and the accompanying material with the FBI and SEC. I truly hope that the authorities pursue this case diligently and uncover the facts behind what really transpired. I feel that Mr. Christopher Moody and Mr. Neil Moody should also be held responsible for misleading and cheating their clients. I assure you of my full cooperation in your investigation.

Thank you in advance for all your assistance!

Best regards,



Anil B. Deolalikar
(DOB: March 17, 1956)

Approved: Reed M. Brodsky
REED M. BRODSKY
MARIA E. DOUVAS
Assistant United States Attorneys

Before: HONORABLE HENRY B. PITMAN
Chief United States Magistrate Judge
Southern District of New York

09 MAG 169

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UNITED STATES OF AMERICA	:	<u>SEALED COMPLAINT</u>
- v. -	:	Violation of
ARTHUR G. NADEL,	:	15 U.S.C. §§ 78j(b),
Defendant.	:	78ff; 17 C.F.R. §
	:	240.10b-5; 18 U.S.C.
	:	§§ 1343, 2.
	:	COUNTY OF OFFENSE:
	:	NEW YORK
-----X	:	

SOUTHERN DISTRICT OF NEW YORK, ss.:

KEVIN RIORDAN, being duly sworn, deposes and says that he is a Special Agent with the Federal Bureau of Investigation ("FBI") and charges as follows:

COUNT ONE
(Securities Fraud)

1. From at least in or about 2004 through at least on or about January 14, 2009, in the Southern District of New York and elsewhere, ARTHUR G. NADEL, the defendant, unlawfully, wilfully and knowingly, by the use of the means and instrumentalities of interstate commerce and of the mails, directly and indirectly, would and did use and employ manipulative and deceptive devices and contrivances in violation of Title 17, Code of Federal Regulations, Section 240.10b-5, by (a) employing devices, schemes, and artifices to defraud; (b) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaging in acts, practices, and courses of business which operated and would operate as a fraud and deceit upon persons in

connection with the purchase and sale of securities, to wit, NADEL made false representations to investors regarding his investments of their money.

(Title 15, United States Code, Sections 78j(b) & 78ff;
Title 17, Code of Federal Regulations, Section 240.10b-5;
and Title 18, United States Code, Section 2.)

COUNT TWO
(Wire Fraud)

2. From at least in or about August 2008 up through and including in or about December 2008, in the Southern District of New York, ARTHUR G. NADEL, the defendant, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, unlawfully, willfully and knowingly would and did transmit and cause to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds, to wit, NADEL caused over one million dollars to be wire transferred from a brokerage firm in New York, New York, to certain bank accounts that NADEL controlled without authorization.

(Title 18, United States Code, Sections 1343 and 2.)

The bases for my knowledge and the foregoing charges are, in part, as follows:

2. I have been a Special Agent with the Federal Bureau of Investigation for approximately six years. I am currently assigned to a squad responsible for investigating violations of the federal securities laws and related offenses. I have participated in numerous investigations of these offenses, and I have made and participated in making arrests of numerous individuals for participating in such offenses.

3. The information contained in this affidavit is based upon my personal knowledge, as well as information obtained during this investigation, directly or indirectly, from other sources and agents, including: (a) information provided to me by the United States Securities and Exchange Commission (the "SEC"); (b) bank records; (c) trading records; (d) documents obtained from certain individuals; and (e) publicly available information. Because this affidavit is prepared for limited purposes, I have not set forth each and every fact I have learned in connection with this investigation. Where conversations and events are

referred to herein, they are related in substance and in part. Where figures and calculations are set forth herein, they are approximate.

Relevant Entities and Individuals

4. Based on my conversations with two individuals (hereinafter "Partner-1" and "Partner-2") who worked with ARTHUR G. NADEL, the defendant, during the past several years, I have learned the following:

a. NADEL told Partner-1 that he graduated from New York University School of Law but was later disbarred.

b. During the period between in or about May 1999 through in or about January 2009, Partner-1 created two general partnerships called Valhalla Management and Viking Management, LLC. These general partnerships formed the following funds that received and invested money from investors: Viking IRA Fund LLC; Viking Fund LLC; and Valhalla Investment Partners LP (hereinafter "Group I Funds").

c. During the period between in or about 2001 through in or about January 2009, NADEL created two general partnerships called Scoop Management and Scoop Capital LLC. NADEL was the general partner and owner of these partnerships. These partnerships formed the following funds that received and invested money from investors: Victory IRA Fund Ltd.; Victory Fund Ltd.; and Scoop Real Estate LP (hereinafter "Group II Funds").

d. During the relevant period, NADEL was the investment adviser for the Group I Funds and the Group II Funds. Further, NADEL's office was located in Sarasota, Florida. In addition, with respect to the funds in which NADEL was the investment adviser, NADEL was the only individual who had authority to trade the money invested in the Group I Funds and the Group II Funds.

5. From in or about 2002 through in or about January 2009, ARTHUR G. NADEL, the defendant, traded in the Group I Funds and the Group II Funds through a brokerage firm with an office in New York, New York (hereinafter "Brokerage Firm"). At various times during the relevant period, a "Wire Request Form" with the signature of "Art Nadel" was faxed to the New York, New York, office of the Brokerage Firm for purposes of directing the Brokerage Firm to transfer money from one account to another.

6. Based on my conversations with another FBI agent who spoke with a representative of a hedge fund located in New York, New York ("Victim-1"), which invested in the Group I Funds and the Group II Funds that ARTHUR G. NADEL, the defendant, managed as an investment adviser, I have learned the following:

a. From in or about 2007 through in or about January 2009, Victim-1 invested at least approximately \$13,600,000 in the Group I Funds and the Group II Funds. Victim-1 received account statements relating to its investment by mail at its New York, New York office until in or about November 2008.

b. In or about October 2008, Victim-1 requested a redemption or return of all its money from the Group I Funds and the Group II funds. Victim-1 was told that the money would be returned in or about March 2009.

c. NADEL indicated to the representative that NADEL was making all of the investment and trading decisions relating to Victim-1's funds. Moreover, Victim-1 was told that the returns on its investments were approximately between eight and nine percent for the calendar year 2008 and that earlier returns on the investment were much higher.

d. Victim-1 was informed through documents sent from NADEL's office that, as of September 2008, there was approximately \$70,500,000 in total assets in Valhalla Investment Partners LP., approximately \$75,200,000 in total assets in Victory Fund Ltd., and approximately \$65,300,000 in total assets in Viking Fund LLC. As reflected in paragraph 19 below, the representations regarding the returns on the investments and the value of the total assets in these funds were false.

7. Based on my review of documents provided by the SEC, I have learned that during the relevant period another investor ("Victim-2") had investments in the Group I Funds which ARTHUR G. NADEL, the defendant, managed as an investment adviser. During the relevant period, the documents further show that Victim-2 was located in New York, New York. Based on my conversations with Partner-2, I understand that Victim-2 had at least approximately \$15,000,000 invested in principal and interest in the Group I Funds.

8. I have also spoken directly to representatives of the SEC, who spoke to a number of other victims. Based on the information provided by the SEC, I have learned the following:

a. Victim-3 is an individual investor who lives in the State of Virginia.

b. From in or about December 2000 through in or about April 2004, Victim-3 invested money in Valhalla Investment Partners LP, Victory IRA Fund Ltd., and Scoop Real Estate LP.

c. Victim-3 received monthly account statements that stated that, as of November 2008, (i) Victim-3's investment in Valhalla Investment Partners LP had a value of approximately \$1,176,848; (ii) Victim-3's investment in Victory IRA Fund Ltd. had a value of over approximately \$775,000; and (iii) Victim-3's investment in Scoop Real Estate LP had a value of approximately \$590,321. As reflected in paragraph 19 below, the representations in these monthly account statements regarding the value of Victim-3's investments in these funds were false.

d. Victim-4 is another individual investor who lives in the State of Virginia.

e. In or about March 2004, Victim-4 invested money in Victory IRA Fund Ltd. and Victory Fund Ltd.

f. Victim-4 received monthly account statements that stated that, as of November 2008, (i) Victim-4's investment in Victory IRA Fund Ltd. had a value of over approximately \$470,000; and (ii) Victim-4's investment in Victory Fund Ltd. had a value of approximately \$419,824. As reflected in paragraph 19 below, the representations in these monthly account statements regarding the value of Victim-4's investments in these funds were false.

g. Victim-5 is an individual investor who lives in the State of California.

h. From in or about December 2005 through in or about 2006, Victim-5 invested approximately \$226,435 in Victory IRA Fund Ltd. and approximately \$250,000 in Scoop Real Estate LP.

i. Victim-5 received monthly account statements that stated that, as of November 2008, (i) Victim-5's investment in Victory IRA Fund Ltd. had a value of approximately \$325,400; and (ii) Victim-5's investment in Scoop Real Estate LP had a value of approximately \$367,286. As reflected in paragraph 19 below, the representations in these monthly account statements regarding the value of the values of Victim-5's investments in these funds were false.

9. Based on my review of documents provided by the SEC, I know that there were over one hundred investors in the Group I Funds and the Group II Funds and that the investors were located throughout the United States.

Nadel's Management of Certain Funds

10. Based on my conversation with Partner-2, I have learned that ARTHUR G. NADEL, the defendant, was compensated each year for being the investment adviser of the Group I Funds and the Group II Funds. Specifically, Partner-2 told me that, since in or about 2003 or 2004, NADEL received a management fee of one percent of the total amount of the assets in the Group I Funds and the Group II Funds and twelve and one-half percent of all profits earned from the investments in the Group I Funds and the Group II Funds. Partner-2 further informed me that Partner-1 and Partner-2 received the same management fee and percent of the profits earned on the investments.

11. Based on my conversations with Partner-2, I have learned that ARTHUR G. NADEL, the defendant, informed investors and others that his returns on the investments in the Group I Funds and the Group II Funds were on average over twenty percent each year from in or about 1999 through in or about 2007, that NADEL's returns in 2008 were positive, and that NADEL's trading only lost money during four months between in or about 1999 through in or about 2008. Based on my conversations with the SEC, I understand that NADEL represented to prospective investors through offering documents that his returns in 2008 were between ten and twelve percent. As reflected in paragraph 19 below, these representations were false.

Nadel's Wire Transfers

12. Based on my conversations with Partner-2, I have learned that, in or about August 2008, ARTHUR G. NADEL, the defendant, caused approximately \$900,000 to be transferred out of the Valhalla Investment Partners LP fund into a bank account in the name of Valhalla Investment Partners (hereinafter "Valhalla Bank Account"). Partner-2 further stated that NADEL did not have the authority to open the Valhalla Bank Account and that the bank informed Partner-2 that Partner-2 did not have signatory authority over the Valhalla Bank Account. I have reviewed a "wire request form" dated August 22, 2008, provided by the custodian of the Group I Funds and the Group II Funds. This form contains the signature of "Art Nadel" as the customer requesting a transfer of \$900,000 from "VALHALLA INVESTMENT" to the Valhalla Bank Account in the Sarasota, Florida, branch office, where NADEL's office was located. The form stated that the wire request was faxed to the attention of a certain individual at the Brokerage Firm at a number in New York, New York.

13. Based on my conversations with Partner-2, I have further learned that, in or about mid-December 2008, ARTHUR G. NADEL, the defendant, caused approximately \$350,000 to be

transferred out of the Viking IRA Fund LLC into a bank account in the name of Viking IRA (hereinafter "Viking Bank Account"). Partner-2 further stated that NADEL did not have the authority to open the Viking Bank Account and that the bank informed Partner-2 that Partner-2 did not have signatory authority over the Viking Bank Account. I have reviewed a "wire request form" dated December 2, 2008, provided by the custodian of the Group I Funds and the Group II Funds. This form contains the signature of "Art Nadel" as the customer requesting a transfer of \$350,000 from "VIKING IRA" to the Viking Bank Account in the Sarasota, Florida, branch office, where NADEL's office was located. The form stated that the wire request was faxed to the attention of a certain individual at the Brokerage Firm at a number in New York, New York.

Nadel's Scheme Unravels and Nadel Flees

14. Based on my conversations with Partner-1, I have learned that ARTHUR G. NADEL, the defendant, rejected Partner-1's requests during the last several years to hire an independent, certified public accountant for the purpose of auditing all of the assets of the Group I Funds and the Group II Funds. Partner-1 further informed me that, following the arrest of Bernard L. Madoff by the FBI in the Southern District of New York and subsequent publicity relating to that arrest, Partner-1 again told NADEL that the Group I Funds and the Group II Funds had to hire an independent certified public accountant to conduct an audit of all of the assets in the funds and that, on or about January 8, 2009, NADEL agreed to the independent audit. Partner-1 further stated that, on or about January 13, 2009, Partner-2 sent NADEL a letter relating to the hiring of an independent certified public accountant to conduct the audit.

15. Based on my conversations with another FBI agent who spoke with other law enforcement officers, I have learned that, on or about January 14, 2009, family members of ARTHUR G. NADEL, the defendant, reported to the police in Sarasota, Florida, that NADEL had left a note reflecting that he was no longer going to be around, and that NADEL's whereabouts were unknown.

16. Based on my conversations with Partner-2, I learned that, on or about January 15, 2009, certain employees who worked for ARTHUR G. NADEL, the defendant, found several pieces of paper in a shredding machine at NADEL's offices in Sarasota, Florida. Partner-2 further informed me that the employees put together several of the shredded pieces of paper and turned them over to law enforcement officers. According to Partner-2, the shredded documents appeared to be several pages of a handwritten letter from NADEL to his wife.

17. I have reviewed one page of the apparent letter from ARTHUR G. NADEL, the defendant, to his wife, which was found in the shredding machine. This handwritten page stated, in part, as follows:

If you want to survive this mess, what follows is for your eyes only. I strongly suggest that you destroy it after reading.

.....
The avenues to money for you will likely be blocked soon. You must use the trust (yours) to your benefit as much and as soon as possible. Please look for the [Bank] credit card account and you will see a large credit balance that can be used in the usual way or to withdraw cash. Withdraw as much cash as you can, as this account might also become blocked.

.....
I have deposited enough in the Scoop Management acc[ount] for about a month; the same with Tradewind [and] Home Front Homes as well as Laurel Mtn. The Jet Center is self supporting, as you know.

.....
All the bills will come to 3966 and I have closed the POBx [sic]. Look at all the recently paid bills in the "package" to see where they stand. Also in the package are enough documents that I think will do the trick to give you complete control and ownership of what is left, and even documentation for divorce. Sell the Subaru if you need money. I will send you a letter in a day or so to tell you....

18. On or about January 15, 2009, Partner-2 learned from the custodian of the Group I Funds and the Group II Funds that there was approximately \$350,000 in total assets left in the accounts relating to the funds over which ARTHUR G. NADEL, the defendant, had trading authority.


19. On or about January 20, 2009, I obtained and reviewed documents from the custodian of the Group I Funds and the Group II Funds. These documents show that the net liquidating value ("NLV") of the assets in these funds declined significantly from in or about December 2004 through in or about December 2008, as follows:

Fund	NLV ending 12/04	NLV ending 12/05	NLV ending 12/06	NLV ending 12/07	NLV ending 12/08
Viking IRA Fund LLC	\$18,767,696	\$19,787,093	\$9,539,919	\$1,738,703	\$2,923
Viking Fund LLC	\$33,375,622	\$25,983,502	\$10,054,454	\$2,036,992	\$30,929
Valhalla Investment Partners	\$19,448,979	\$14,249,335	\$7,017,679	\$3,429,805	\$4,413
Victory IRA Fund Ltd.	\$13,070,558	\$17,746,441	\$9,981,754	\$1,096,190	\$2,938
Victory Fund Ltd.	\$23,848,019	\$23,324,285	\$7,890,073	\$2,586,116	\$76,913
Scoop Real Estate LP	\$16,670,254	\$20,435,896	\$17,597,319	\$2,689,054	\$2,119
Scoop Capital LLC	\$300,782	\$7,274,679	\$11,563,274	\$4,502,449	\$1,344

20. As reflected in paragraph 19, the documents provided by the custodian relating to the value of the assets in the Group I Funds and the Group II Funds, the representations that ARTHUR G. NADEL, the defendant, made to investors relating to positive returns on the investments and the total amount of assets in the Group I Funds and the Group II Funds were false. The documents further demonstrate that the monthly account statements that investors received, as discussed in paragraphs 6(d), 8(c), 8(f), 8(i), and 12 above, were false.

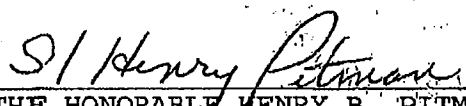
21. Other law enforcement officers with whom I have spoken recently have told me that, ARTHUR G. NADEL, the defendant, has been missing since on or about January 14, 2009 and that, as of today's date, NADEL's whereabouts are unknown. Partner-2 and law enforcement officers have informed me that NADEL has a residence in Sarasota, Florida, a residence in North Carolina, five-hundred acres of a development in North Carolina, a Lear 35A plane, and a Citation Two plane.

WHEREFORE, the deponent prays that an arrest warrant be issued for ARTHUR G. NADEL, the defendant, and that he be imprisoned or bailed as the case may be.



KEVIN G. RIORDAN
SPECIAL AGENT
FEDERAL BUREAU OF INVESTIGATION

Sworn to before me this
21st day of January 2009



THE HONORABLE HENRY B. PITMAN
CHIEF UNITED STATES MAGISTRATE JUDGE
SOUTHERN DISTRICT OF NEW YORK