

**UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA  
TAMPA DIVISION**

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

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

ARTHUR NADEL;  
SCOOP CAPITAL, LLC;  
SCOOP MANAGEMENT, INC.

Defendants,

SCOOP REAL ESTATE, L.P.;  
VALHALLA INVESTMENT PARTNERS, L.P.;  
VALHALLA MANAGEMENT, INC.;  
VICTORY IRA FUND, LTD.;  
VICTORY FUND, LTD.;  
VIKING IRA FUND, LLC;  
VIKING FUND, LLC; AND  
VIKING MANAGEMENT, LLC,

Relief Defendants.

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**THE RECEIVER'S FIFTH INTERIM REPORT**

Receivership Information and Activity from November 1, 2009 through January 31, 2010.

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## INTRODUCTION

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

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

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

The Receiver was appointed on January 21, 2009. By January 26, 2009, the Receiver established an informational website, [www.nadelreceivership.com](http://www.nadelreceivership.com). The Receiver has

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<sup>1</sup> This Report is intended to report on information and activity from November 1, 2009, through January 31, 2010. Thus, unless otherwise indicated, the information reported herein reflects the information in the Receiver’s possession as of January 31, 2010.

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 Report, as well as all previous and subsequent reports, will be posted on the Receiver's website.<sup>2</sup>

## **BACKGROUND**

### **I. Procedure and Chronology.**

Defendant Arthur Nadel ("**Nadel**") was the Hedge Funds' principal investment advisor and an officer and director of Scoop Management and sole managing member of Scoop Capital. On or about January 14, 2009, Nadel fled Sarasota County and disappeared for nearly two weeks.

On January 21, 2009, the Securities and Exchange Commission (the "**Commission**") filed a complaint in this Court charging the Defendants with violations of federal securities laws (the "**Commission Proceeding**"). In this Proceeding, the Commission alleged that Nadel used the Investment Managers to defraud investors in the Hedge Funds from at least January 2008 forward by "massively" overstating investment returns and the value of fund assets to investors in these funds and issuing false account statements to investors. The Commission also asserted that Nadel misappropriated investor funds by transferring \$1.25

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<sup>2</sup> The Receiver has used Fowler White Boggs P.A. ("**Fowler White**"), as legal counsel, to assist with the Receivership. On November 9, 2009, the firm of Wiand Guerra King P.L. ("**WGK**") opened and most of the lawyers, paralegals, and staff who have dedicated significant time to this matter moved from Fowler White to join WGK. The Receiver is the Chairman of WGK, and going forward, WGK will undertake the primary representation of the Receiver and will do so at the same discounted fee structure as initially agreed to by the Receiver.

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.

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 "**Nadel 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 "**Nadel Preliminary Injunction**") (Doc. 29), the terms of which are essentially identical to those of the Nadel TRO.<sup>3</sup>

Also on the same day the Commission filed its complaint, the Court entered an order appointing Burton W. Wiand as Receiver for the Investment Managers and Hedge Funds (the "**Order Appointing Receiver**"). (*See generally* Order Appointing Receiver (Doc. 8).) Between January 27, 2009, and August 10, 2009, on the Receiver's motions, the Court entered orders expanding the scope of receivership to include additional entities as follows:

January 27, 2009 (Doc. 17)	Venice Jet Center, LLC Tradewind, LLC
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<sup>3</sup> Both the Nadel TRO and the Nadel 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.)

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

On June 3, 2009 and January 19, 2010, the Court entered orders Reappointing Receiver. (Docs. 140, 316.) The January 21, 2009, June 3, 2009, and January 19, 2010 Orders will be referred to collectively as the “**Orders Appointing Receiver.**” Pursuant to the Orders Appointing Receiver, the Receiver has the duty and authority to: “administer and manage the business affairs, funds, assets, choses in action and any other property of the Defendants and Relief Defendants; marshal and safeguard all of the assets of the Defendants and Relief Defendants; and take whatever actions are necessary for the protection of the investors.” (Orders Appointing Receiver at 1-2.)

On January 27, 2009, Nadel surrendered to the FBI in Tampa, Florida. Nadel was arrested and charged with two counts of securities fraud and wire fraud based on the fraudulent investment scheme discussed herein. 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. *U.S. v. Nadel*, Case No. 8:09-mj-01039 M.D. Fla. (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 Commission. 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 June 2009, Nadel sought a reduction of bail. Judge John G. Koeltl agreed to remove the \$1 million cash security and instead imposed a \$1 million personal recognizance bond, requiring Nadel to find four financially sound co-signers. On or about September 24, 2009, Nadel sought another modification of bail conditions. (*See U.S. v. Nadel*, Doc. 38.) On October 23, 2009, following a hearing, Judge Koeltl denied Nadel's application for modification of conditions of release.

On December 11, 2009, Judge Koeltl entered an order setting April 26, 2010 as the beginning date for the criminal trial. On December 15, 2009, the court entered an order setting other deadlines for this matter, including a motion deadline of January 22, 2010. On January 15, 2010, counsel for Nadel submitted a letter to the judge on behalf of the defense and prosecution proposing a two-week postponement of motion deadlines. The court granted the request on January 19, 2010. On February 24, 2010, Nadel pled guilty to all counts in the



indictment. Also on February 24, 2010, Judge Koeltl entered an order scheduling sentencing for June 11, 2010 and revoking bail. Nadel is still being held in the Metropolitan Correctional Center pending sentencing.

In the Commission Proceeding, 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.)

## **II. The Receiver’s Role and Responsibilities.**

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

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

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

### **A. Operating the Business of the Receivership Entities.**

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

**B. Taking Possession of Receivership Property.**

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

**C. Investigating Receivership Affairs and Recovering Funds.**

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

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

The Court further directed the Receiver to “[p]resent to this Court a report reflecting the existence and value of the assets of the Defendants and Relief Defendants and of the extent of liabilities, both those claimed to exist by others and those the Receiver believes to be legal obligations of the Defendants and Relief Defendants . . . .” (Orders Appointing Receiver ¶ 3.) As contemplated by the Orders Appointing Receiver, the Receiver shortly will move the Court for institution of a claims process primarily for the benefit of the Receivership Entities’ investors who have been defrauded and suffered legitimate and

verifiable losses as a result of the activities of Nadel and others. (*See* Section VI, below; *see also* Order dated Sept. 24, 2009 (Doc. 207) (“[A]s previously observed by this Court, there will come a time when ‘the Court will implement a claims procedure designed to afford all disaffected investors the process they are due under the law with regard to their claimed interest in the estate’s assets consistent with the principles of *Securities and Exchange Commission v. Elliott*, 953 F.2d 1560 (11th Cir. 1992) (citing Order dated Sept. 8, 2009 (Doc. 192)).”))

### **III. Overview of Findings To Date.**

The Receiver continues 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 has formed conclusions based on his review of a substantial portion of the records received. While these conclusions may change as the review becomes more complete, the Receiver does not believe any changes would be material.

In the Commission’s Emergency Motion and Memorandum of Law in Support of Temporary Restraining Order and Other Emergency Relief (Doc. 2) and supporting papers, the Commission presented evidence showing Nadel defrauded investors through his control of the Hedge Funds’ advisers and/or managers, Scoop Capital and Scoop Management. Through the Investment Managers, Nadel, along with Christopher D. Moody and Neil V. Moody (the “**Moody**s”), was ultimately responsible for controlling the Hedge Funds’ investment activities.

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

**A. The Ponzi Scheme.**

The Receiver has discovered that from 1999 through January 2009, over \$330 million was raised from approximately 390 investors on behalf of one or more of the Hedge Funds by Nadel and his entities, Scoop Management and Scoop Capital; by the rest of the Fund Managers; and by the Moodys through the offer and sale of securities in the form of interests in Hedge Funds as part of a single, continuous Ponzi scheme. As discussed below, Nadel grossly overstated the trading results of the Hedge Funds. Despite significantly lower, and

typically negative yields (*i.e.*, trading losses), Nadel, the Moodys, and the Fund Managers falsely communicated to investors and potential investors, through monthly “statements,” Hedge Funds’ “Executive Summaries,” and other methods, that investments were generating positive returns and yielding between 11.43% and 55.12% per year. For most years, they falsely represented the investments were generating returns between 20% and 30%.

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

As mentioned above, on February 24, 2010, Nadel pled guilty to all counts in the indictment relating to this scheme.

**B. Fictitious Trading Results.**

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

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

Below are details concerning the Hedge Funds' performance from 2003 through 2008 and misrepresentations concerning that performance. The Receiver is in the process of finalizing similar analyses for the period from 1999 through 2002 and will either create new tables or supplement the tables below. That information will show the scheme began in 1999 at the inception of the first Hedge Fund, Valhalla Investment Partners. For example, in 1999, trading relating to Valhalla Investment Partners resulted in a loss of \$266,850.92, yet Nadel and others reported that it had a 36% gain. Similarly, in 2000 and 2001, trading relating to Valhalla Investment Partners resulted in losses of \$2,893,648.70 and \$2,405,780.88, respectively, yet Nadel and others represented that it had a 55.12% gain in 2000 and 19.78% gain in 2001.

**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; (3) the actual combined total gain or loss experienced that year in the accounts for the Hedge Funds, per statements from Goldman Sachs; (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.

**Table 1: Gains/(Losses)**

Year	Investment Managers' Represented Gains (\$)	Hedge Funds Actual Amounts(\$)	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
<b>Total</b>	<b>272,840,295</b>	<b>(18,418,129)</b>	<b>291,258,424</b>	<b>350,059,127</b>

As Table 1 shows, for 2003 through 2008, the Hedge Funds' performance as represented to investors was significantly overstated and thus, false. Specifically, 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.

Although Nadel's representations of trading results were false, in furtherance of the scheme he intentionally and wrongfully caused the Hedge Funds to pay investors purported trading gains. On at least a quarterly basis, Nadel and the Fund Managers caused the Hedge Funds to pay to investors sums of money that were equivalent to the trading gains

purportedly earned by those investors as reflected in their “account statements.” Similarly, in response to investors’ requests for redemptions of their principal investments, in furtherance of Nadel’s scheme he caused the Hedge Funds to pay the requesting investors sums of money equivalent to all or part of the principal invested by those investors. These (and all other) distributions which Nadel caused the Hedge Funds to make to investors were paid from fruits of the scheme. Specifically, money raised from new and existing investors was used to pay these false trading gains and redemptions.

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

In short, the investment returns and performance as represented to investors and potential investors from 1999 forward (as applicable based on then existing Hedge Funds) were false and based on grossly overstated performance numbers created by Nadel. The true results of the trading activity that actually occurred were never included in data reported to investors or potential investors.

**C. Depletion of the Hedge Funds’ Assets.**

Evidence also shows that the Hedge Funds directly or indirectly paid substantial fees to Scoop Capital and Scoop Management, to other Receivership Entities, and to other third parties in the form of management, advisory, and/or profit incentive fees and “finder” fees. As reflected in **Table 2**, below, according to the Hedge Funds’ documents, from 2003



through 2008 they paid approximately \$97,168,122 in total fees. Profit incentive fees were paid to Scoop Management, Viking Management, Valhalla Management, and third parties, based on a percentage of profits that never occurred. Such payments significantly depleted the Hedge Funds' assets and diverted those assets to Scoop Capital and Scoop Management, which were controlled by Nadel, and to Valhalla Management and Viking Management, which were controlled by Neil and Christopher Moody.

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

<b>Year</b>	<b>Management Fees</b>	<b>Performance Incentive Fees</b>	<b>Total Fees</b>
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
<b>Total</b>	<b>28,958,048</b>	<b>68,210,074</b>	<b>97,168,122</b>

Significant sums from the proceeds of Nadel's scheme also made their way into other accounts controlled by Nadel and/or his wife, Marguerite "Peg" Nadel. As of December 31, 2008, according to the balance sheet for Scoop Management, Scoop Management had transferred approximately \$17,177,896.56 to accounts owned either individually or jointly by the Nadels. These amounts are in addition to the amounts Mrs. Nadel received from Scoop Management as compensation. According to its balance sheet, Scoop Management also transferred approximately \$6,433,804.40 to other entities controlled by Nadel. 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 in Section V.A, below.)

**D. Investor Losses and “False Profits.”**

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

Further, it appears that, although separate investor accounts were identified in communications with investors and brokerage accounts were used for each Hedge Fund, in reality there were not separate funds. Due to the method Nadel used to trade securities as discussed below, distinctions made between the individual Hedge Funds and between investor “accounts” have little meaning. Nadel treated the Hedge Funds as a single source of money regardless of the Hedge Fund with which investors purportedly invested, and then investor funds were commingled in Nadel’s and the Receivership Entities’ accounts. Nadel

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

also maintained “shadow” bank accounts at Wachovia Bank, N.A. (“**Wachovia Bank**”) which he used to transfer money among the Hedge Funds to keep the Funds’ accounts balanced.

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

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

**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.

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

<sup>5</sup> 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.

returns of -16.70% to -33.25%. In short, Nadel was losing significant sums of money while representing that he was achieving annual returns for most years between 20% and 30%. Although 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. He also transferred money among the Hedge Funds using “shadow” bank accounts.

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

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 Nadel's Accounts experienced significant gains.

**Table 5: Actual Profits and Losses for Nadel's Accounts**

<b>Account Name</b>	<b>Account Profit/Losses</b>
Scoop Capital LLC 12/01/04 – 12/31/08	\$11,331,464
Scoop Management 10/01/02 – 12/31/08	\$737,141
Arthur Nadel 6/01/02 – 10/31/08	\$10,781,029
Marguerite Nadel 8/01/07 – 1/30/09	\$10,033
<b>Nadel's Accounts Total</b>	<b>\$22,859,667</b>

Nadel's trading practices indicate that he engaged in a fraudulent practice known as "cherry picking." In cherry picking, the trader allocates profitable trades to himself and unprofitable trades to clients. *See, e.g., S.E.C. v. K.W. Brown and Co.*, 555 F. Supp. 2d 1275, 1302-07 (S.D. Fla. 2007) (holding that "cherry-picking" day-trading scheme operated by officers constituted scheme to defraud under Securities Exchange Act).

**ACTIONS TAKEN BY THE RECEIVER**

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

**IV. Securing the Receivership Estate.**

**A. Taking Possession of Defendants' Headquarters.**

On the day of his appointment, the Receiver took possession of the Receivership Entities' offices at 1618 Main Street, Sarasota, FL 34236 (the "**Office**"). Nadel used the Office as the headquarters for administering his control of the Investment Managers, Hedge Funds, and other Receivership Entities. Among other things, the Receiver ended the Office's lease, turned over the keys, and sold the office furniture and other items for \$3,500.00. All of the original documents from the Office were moved to the Tampa office of Fowler White. The majority of those documents have been transferred into the custody of the United States Attorney's Office for the Southern District of New York in connection with its criminal prosecution of Nadel and the rest have been moved to the office of WGK.

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

**B. Securing Receivership Funds.**

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

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

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

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

Thus, total cash at the inception of the Receivership and as the Receivership was expanded to include each additional Receivership Entity indicated was approximately \$1,186,508.80.<sup>6</sup>

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

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

holdings and determined that no such exit strategies were required because almost all of the relatively liquid holdings were in cash or cash equivalents.

The Receiver coordinated with the Commission 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.

During the time covered by this Interim Report, all Receivership funds were held at Northern Trust Bank, N.A. in non-interest bearing accounts. The Receiver is contemplating the appropriate action to take with respect to these funds in light of the current state of the economy and financial institutions. He is exploring the relative benefits and risks of moving the funds into interest-bearing accounts and/or revenue-generating investments.

**C. Locating Additional Funds.**

One of the Receiver's highest priorities is to locate and recover any additional funds that were in Nadel or the Receivership Entities custody at the time of the scheme. The Receiver has retained a forensic accounting firm to assist in tracing funds. As discussed in Section V. below, the Receiver's investigation revealed that significant sums were used to purchase or fund other entities. The Receiver also identified a certificate of deposit ("CD") issued by Northern Trust Bank for approximately \$1.5 million. However, the CD was pledged as security for a loan from Northern Trust for \$1.5 million with a maturity date of December 1, 2011. The Receiver resolved all claims and obligations with Northern Trust



under this loan in connection with the sale of certain assets of Venice Jet Center, LLC. The Receiver's agreement with Northern Trust alleviated other significant obligations owed to the bank. Specifically, the Northern Trust Agreement also waived all payments in connection with two interest rate swap agreements in the amounts of approximately \$133,000 and \$247,000 (values are as of October 27, 2009) and limited the principal amount of a mortgage owed on property in the possession of the Receivership on Fruitville Road. The Receiver will continue to diligently investigate and will update the Court and the investors if additional funds are located.

**D. Receivership Accounting Report.**

Attached as **Exhibit A** to this Interim Report is a cash accounting report showing the amount of money on hand as of November 1, 2009 less operating expenses plus revenue through January 31, 2010. This cash accounting report does not reflect non-cash or cash-equivalent assets. Thus, the value of all property discussed in Section V below is not included in this accounting report. For the time covered by this Interim Report, from November 1, 2009, through January 31, 2010, the Receiver received \$720,409.84 in business income from ongoing operations of some Receivership Entities;<sup>7</sup> \$25.29 in cash and securities; \$27,790.35 in interest/dividend income; \$428,225.25 in business asset liquidation; \$1,502,461.12 in third-party litigation income; and \$393.91 in other income. (Ex. A.).

Since the inception of the Receivership through January 31, 2010, the Receiver received \$2,678,325.71 in business income from ongoing operations of some Receivership

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

Entities; \$2,066,501.32 in cash and securities; \$146,208.26 in interest/dividend income; \$638,425.25 in business asset liquidation; \$2,616,321.76 in third-party litigation income; and \$3,006.09 in other income.<sup>8</sup>

**E. Obtaining Information from Third Parties.**

Since obtaining control of the Receivership Entities, the Receiver and his professionals have had discussions – including continuing discussions – with a number of people associated with Nadel and/or the Receivership Entities, including:

- \* Officers of some of the Receivership Entities,
- \* Persons responsible for maintaining the financial books of Receivership Entities,
- \* Persons responsible for operating the business of Receivership Entities,
- \* Persons responsible for performing accounting services, and
- \* Persons responsible for administering the Hedge Funds.

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

Further on March 13, 2009, the Receiver served a subpoena for documents on Donald H. Rowe (“**Rowe**”) for information relating to him and several entities through which he operated during the relevant period. Rowe produced some documents, but objected to

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<sup>8</sup> The income numbers provided in this and the foregoing paragraph are gross figures and do not include any offset for business operations costs or any other expenses.

producing his tax returns. He requested that the Receiver enter into a confidentiality agreement significantly limiting the disclosure of his returns and imposing substantial burdens on the Receiver. The Receiver determined that such an agreement was not in the best interests of the Receivership and he refused to enter into the requested agreement.

On December 7, 2009, Rowe filed a Motion for Protective Order seeking the Court's intervention to require the Receiver to agree to the restrictions and obligations Rowe requested for the subpoenaed tax returns (Doc. 250). The Receiver opposed this motion and on December 18, 2009, the Court denied Rowe's Motion for Protective Order (Order, Doc. 267). Rowe filed a notice of appeal of the Court's order denying his motion on December 22, 2009 (Doc. 275) and filed a Motion for Stay Pending Appeal on December 28, 2009 (Doc. 279). The Receiver opposed the motion for stay (Doc. 296). On January 11, 2010, the Court denied the motion for stay (Doc. 301). On January 21, 2010, Rowe produced the subpoenaed tax returns to the Receiver and subsequently dismissed his appeal.

**V. Asset Analysis and Recovery.**

**A. Expansion of Receivership to Include Additional Entities.**

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

referred to collectively as the “**Additional Entities.**”<sup>9</sup> The Receiver’s investigation revealed that the Additional Entities were purchased and/or funded with money derived from Nadel’s fraudulent investment scheme.

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

**1. Venice Jet Center, LLC.**

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

On January 27, 2009, the Court expanded the Receivership to include VJC. VJC was a fully operating fixed-base operator, or “**FBO**,” that included a flight school, fueling service, hangar rentals, and a café. On December 11, 2009, the Receiver filed a Motion for the

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<sup>9</sup> The Receiver gained control of Summer Place Development Corporation by virtue of Scoop Capital’s ownership interest in that entity. However, for various reasons, a formal order expanding the Receivership to include this entity has not been sought.

Approval of the Sale of the Assets of VJC and Agreement with Northern Trust (the “**VJC Motion**”) (Doc. 254). The VJC Motion proposed the sale of the VJC’s assets to Tristate Aviation Group of Florida LLC (“**Tristate**”) for, in pertinent part, (1) \$300,000 cash at closing; (2) a \$250,000 unsecured promissory note payable over a term of three years; (3) resolution of a \$1,960,169 loan with Northern Trust; and (4) assumption of prosecution of the Part 16 Complaint subject to an offset of the note obligations to the Receiver for up to \$50,000 for expenses and costs actually incurred in connection with efforts to resolve all disputes with the City, including the Part 16 Complaint. The Receiver believed that this sale and its structure are in the best interests of the Receivership. On January 20, 2010, the Court approved the sale of the assets of the VJC as provided in the VJC Motion and the exhibits attached thereto. (Doc. 321.)

#### Part 16 Complaint Against City of Venice

The City of Venice (the “**City**”), in contravention of its lease and specific direction from the Federal Aviation Authority (“**FAA**”), refused to grant VJC authorization to develop four hangars at the VJC facility. The Receiver vigorously resisted any unwarranted interference by the City with what appeared to be a substantial and valuable property right of VJC (and of the Receivership estate). On or about July 2, 2009, on behalf of the VJC and pursuant to Title 14 of the Code of Federal Regulations, Part 16, the Receiver filed and served a complaint against the City (FAA Docket No. 16-09-05). On or about September 2, 2009, the City filed its answer and affirmative defenses and motion to dismiss, to which VJC replied on or about September 30, 2009. A ruling is expected in this action on or about February 26, 2010.

## 2. Tradewind, LLC.

Tradewind, LLC (“**Tradewind**”) was formed in Delaware in January 2004 and registered for the first time in Florida in March 2008. Nadel was Tradewind’s managing member and registered agent, and its principal address is the Office. Tradewind owned and controlled five planes and one helicopter and owns 31 hangars at the Newnan-Coweta County Airport in Georgia (the “**Georgia Hangars**”). The Receiver’s investigation revealed that Tradewind was funded with money from Nadel’s scheme. Tradewind is a 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 \$20,000 in monthly rent and incurs varying monthly expenses, which include land rent, loan payments, and various utilities. The Receiver is entertaining offers to purchase this business or any of its assets.

The Receiver has possession and control of the Georgia Hangars, which have one known encumbrance: a loan with the Bank of Coweta with a remaining balance of approximately \$940,869.40, and monthly payments of \$8,055. There is also monthly rent of \$3,079.89 due to the Newnan Coweta Aviation Authority. The Receiver has been making these monthly payments as he believes they are in the best interest of the Receivership. The Receiver received two offers to purchase the Georgia Hangars. Both offers, however, were below the balance of the loan and below what the Receiver believes to be the fair market value of the Hangars.

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

<b>Model</b>	<b>Year</b>	<b>Type of Aircraft</b>	<b>Known Encumbrance</b>	<b>Action Taken by Receiver</b>
Piper PA-28/140	1971	Airplane	None.	
Cessna 152	1978	Airplane	None.	
Baron	1977	Airplane	None.	
Learjet 31A	1996	Airplane	Loan with General Electric Capital Corporation (“ <b>GECC</b> ”) entered into on May 17, 2006, for approximately \$2.4 million.	Settled with GECC; disposed of Learjet (Doc. 119)
Citation	1992	Airplane	Loan with VFS Financing, Inc. (“ <b>VFS</b> ”) entered into on May 23, 2008, for approximately \$2.1 million	Settled with VFS; disposed of Citation (Doc. 119)
Schweizer 300	1997	Helicopter	None.	Sold for \$200,000 (Doc. 100)

The Receiver is contemplating the disposition of the remaining three aircraft.

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

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

Laurel Preserve, LLC (“**Laurel Preserve**”), was formed as a North Carolina limited liability company in February 2006. Nadel was Laurel Preserve’s registered agent and manager, and its principal address is the Office. Additionally, Laurel Preserve’s “Registered

Office” address was a home in Fairview, North Carolina titled in the names of Nadel and his wife. 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. The Laurel Mountain Preserve Homeowners Association, Inc. (the “HOA”), is a North Carolina non-profit corporation formed in March 2006. Nadel was the HOA’s registered agent, and its principal address was the Fairview, North Carolina home.

Documentation reviewed and information obtained by the Receiver shows that Laurel Preserve holds title to approximately 420 acres near Asheville, North Carolina in Buncombe and McDowell counties, intended for development of home-sites (the “**Laurel Mountain Property**”). The Laurel Mountain Property originally was 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 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 home on this property that, according to the Buncombe County Property



Appraiser, is valued at \$319,800. The cabin home has been appropriately winterized. The Laurel Mountain Property's infrastructure is fully developed: infrastructure and utilities are currently in place and are fully functional.

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

The Receiver instituted proceedings to extinguish the Easement. On November 23, 2009, the Receiver filed a Motion for Order to Show Cause as to Why Conservation Easement Should Not be Extinguished (Doc 236). The Court granted that motion and entered an Order to Show Cause on November 24, 2009 (Doc. 238). On December 18, 2009, the Carolina Mountain Land Conservancy ("the **Conservancy**") filed its response to the Order to Show Cause (Doc. 264). Because of the existence of genuine issues of material fact and the complexity of those issues, the Court discharged its Order to Show Cause and determined that these issues would be more appropriately resolved in a primary civil

proceeding. (*See* Order dated December 23, 2009 (Doc. 276).) The Receiver instituted a primary civil proceeding against the Conservancy on December 1, 2009.

The Receiver consulted with a realtor who previously listed the Laurel Mountain Property and is entertaining offers to purchase or proposals to market this developed property either by lot or in its entirety. The Receiver continues to evaluate the current value of this property, but it appears that the value is higher than the amount of the encumbrances. Parties interested in purchasing this property should contact the Receiver directly.

For more information regarding the Laurel Mountain Property, please visit <http://www.laurelmountainpreserve.com>.

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

The Marguerite J. Nadel Revocable Trust Under Agreement Dated 8/2/2007 (the “**Trust**”) was created on August 2, 2007. The Receiver’s investigation revealed that the Trust was funded entirely with proceeds of Nadel’s scheme through (1) a transfer of \$500,000 from Scoop Management in August 2007 and (2) a transfer of \$150,000 from Scoop Capital on the day before Nadel fled. On February 11, 2009, the Court expanded the Receivership to include the Trust. The Receiver took control of the Trust’s bank account and used the funds for Receivership costs and expenses.

**5. Guy-Nadel Foundation, Inc.**

The Guy-Nadel Foundation, Inc. (the “**Foundation**”), is a Florida non-profit corporation Nadel formed in December 2003 for “charitable, educational and scientific purposes.” On March 9, 2009, the Court expanded the Receivership to include the Foundation. Since the Receiver’s appointment as Receiver of the Foundation, he has taken

control of it and is working on marketing the real property owned by the Foundation. The Foundation was funded with proceeds of Nadel's scheme.

The Receiver has discovered that from 2000 through 2008, the Foundation made a total of approximately \$2,484,589 in contributions from scheme proceeds to various non-profit organizations and charities. The Receiver has focused his attention on the charitable organizations that received the most contributions. As discussed in Section V.E.4, the Receiver sought to obtain tolling agreements from all charitable organizations so he could contemplate the appropriate action to take regarding these significant disbursements. Three charities did not provide such agreements, thus the Receiver had no recourse but to initiate actions against them. The Receiver is contemplating the appropriate action to take with respect to the charities that entered tolling agreements.

#### North Carolina Parcels

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

Thomasville, Georgia Parcels

Additionally, the Receiver has possession and control of two small parcels of unimproved land in Thomasville, Georgia (this land is separate from the Thomasville Property discussed in Section V.B.1, below) owned by the Foundation. According to the Thomas County Board of Tax Assessors, the first lot (located on North Stevens Street) has a 2009 tax valuation of \$34,745, and the second lot (located on Church Street) has a 2009 tax valuation of \$4,276. Parties interested in purchasing these parcels should contact:

Brad Parker  
Tallahassee Land Company, Inc.  
217 John Knox Road  
Tallahassee, Florida 32303  
Office: (850) 385-6363  
Mobile: (850) 566-2629  
Fax: (850) 385-6337  
Email: Brad@tlhland.com

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

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

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

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

The Receiver also has possession and control of two vans owned by Lime: a 1999 Ford van and a 2003 Dodge van. The two vans are of minimal value and have no known encumbrances. The Receiver has reached agreements in principle to sell these vans and intends to finalize their sale in the near future.<sup>10</sup>

#### **7. Viking Oil & Gas, LLC.**

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

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<sup>10</sup> The value of the vans is less than \$5,000 each. Thus, in accordance with the Court’s March 24, 2009, Order, the Receiver does not intend to seek approval of the sale of these vans.

Between February 2006 and April 2007, through Viking Oil, the Moodys invested \$4 million to fund a working interest in Quest EMG.

As discussed in Section V.C.4, below, the Receiver also has possession of a promissory note from Quest EMG and two individuals to Valhalla Investment Partners in the amount of \$1,100,000. On July 15, 2009, the Court expanded the Receivership to include Viking Oil. Since the Receiver's appointment as Receiver of this entity, he has taken control of it and is determining the most prudent course of action to take with respect to the working interest in Quest EMG. An examination of this venture has caused the Receiver to question the viability and value of this investment. The Receiver has hired a forensic accountant, Otto L. Wheeler, CPA/ABV, to assist with further examination of Quest EMG and the Receivership's interest therein. Mr. Wheeler obtained documents from Quest EMG and is reviewing the materials to determine the appropriate recommendation to make to the Receiver.

#### **8. Home Front Homes, LLC.**

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

The Receiver instituted litigation to preserve the value of Home Front Homes for the Receivership estate. *Home Front Homes, LLC v. Brian C. Bishop*, Case No. 2009-CA-2037NC (12th Jud. Cir., Sarasota County, Florida). On behalf of Home Front Homes, the Receiver sued Brian C. Bishop, a former employee who also had an ownership interest in Home Front Homes 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.

This matter was settled. Mr. Bishop was ordered 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. However, Mr. Bishop has been violating the Court's order against him. The Receiver filed a motion for entry of order finding Mr. Bishop in contempt and for sanctions, which was set for hearing on December 1, 2009. The Receiver cancelled this hearing and is trying to resolve this matter without court intervention.

Following the litigation with Mr. Bishop, the Receiver (as Receiver for Scoop Capital) gained control of a 75% interest in Home Front Homes. On or about August 4, 2009, the Receiver entered into an agreement with a potential buyer to sell Home Front Homes as a going concern for \$800,000. At that time, Home Front Homes was an operating business but was quickly deteriorating. The potential buyer agreed to take over the business and fund the business operations almost immediately. (*See Receiver's Motion for Approval*

of Sale of Assets of Home Front Homes, LLC and Agreement with M&I Bank, filed Jan. 5, 2010 (Doc. 291) (the “**Home Front Homes Motion**”).)

The proposed sale would have provided \$280,000 to the Receivership and would have given the purchasers the opportunity to resolve claims of creditors of Home Front Homes. As discussed in the Fourth Interim Report, in September 2009, the potential buyer notified the Receiver that it refused to close the transaction. The purchaser walked away from the transaction, and the Receiver was left without sufficient personnel to operate the business or capital to meet the company’s operational demands. As a result, the Receiver determined that it was in the best interest of the Receivership to close Home Front Homes and cease all business operations.

As Home Front Homes was no longer a going concern, the entirety of its current value was derived from its assets, which were encumbered by a loan from M&I Bank. On or about December 18, 2009, the Receiver entered into an agreement with South American Development Corporation (“**SADC**”), contingent upon this Court’s approval, to sell certain of Home Front Homes’ assets. On January 5, 2010, the Receiver filed a motion for approval of this agreement and an agreement with M&I Bank. (*See* Home Front Homes Motion (Doc. 291).) On January 6, 2010, the Court granted this motion in its entirety. (*See* Jan. 6, 2010, Order (Doc. 293).) In salient part, SADC agreed to purchase the certain assets for \$250,000, with \$150,000 to be paid at closing and a zero interest promissory note due one year from closing for the \$100,000 balance. The promissory note is secured by the assets.

Because the assets subject to the sale above were encumbered by a loan from M&I Bank, it was necessary for the Receiver to resolve Home Front Homes’ loan obligations.



Specifically, M&I Bank had an outstanding \$3,000,000 loan to Home Front Homes that matured on April 14, 2009. The Receiver resolved this obligation such that M&I agreed to waive over \$3,000,000 in debt obligations and forego any deficiency claims against the Receivership estate in exchange for 65% of the cash and note proceeds after \$12,000 has first been paid to the Receiver for expenses incurred (i.e., the Receiver will disburse to M&I Bank \$154,700 out of the \$250,000 sale; \$89,700 at closing and \$65,000 when the note is fully paid by SADC). As a result of this agreement, the Receiver will gain over \$95,000 from the sale of Home Front Homes' assets and alleviate over \$3,000,000 of debt obligations.

Following the sale of Home Front Homes' assets covered by the asset purchase agreement discussed above, Home Front Homes continued to own several assets valued at less than \$5,000 each. These assets included a pick-up truck, two small free standing storage structures, and a telephone system. In accordance with this Court's March 24, 2009, Order the Receiver sold, or otherwise disposed of these items, for a total amount of \$7,600.

During the time covered by this Interim Report, Home Front Homes continued to own a parcel of real property located at 512 Paul Morris Drive, Englewood, Florida 34223, Lot 81 of the Morris Industrial Park (the "**Morris Drive Property**"). Subsequently, the Receiver conveyed the Morris Drive Property. The details of the conveyance will be set forth in the Receiver's next Interim Report. The Morris Drive Property had two known encumbrances. The first encumbrance was a mortgage and note owed to William Bishop, as Trustee of the William F. Bishop Revocable Trust with a balance of approximately \$704,200. The second encumbrance was a mortgage held by Regions Bank. The balance owed to Regions Bank, as of January 6, 2010, to satisfy the mortgage was approximately \$86,300.

During the time covered by this Interim Report, the Morris Drive Property was not generating any income. It appeared that the market value of the Morris Drive Property was less than the total amount of its encumbrances.

As discussed above, the Receiver initially attempted to sell Home Front Homes as a going concern. (*See* Receiver's Declaration in Support of Motion for Approval of Sale of Assets of HFH LLC and Agreement with M&I Bank, Doc. 292, at ¶ 9.) In response, William Bishop filed a motion to intervene citing that he had filed a foreclosure action on July 14, 2009, against Home Front Homes for default on the note and mortgage. (*See* William F. Bishop's Motion to Intervene, Doc 193, at ¶ 3.) On September 24, 2009, the Court denied this motion (Order Sept. 24, 2009, Doc. 207). Bishop appealed the Court's decision to deny his motion to the Eleventh Circuit Court of Appeals, and during the time covered by this Report, that appeal was pending. (Appeal No. 09-16007-H). Mr. Bishop's appellate brief was due February 11, 2010.

#### **9. Summer Place Development Corporation.**

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

but is working with the other managing member and fifty-percent owner in directing the operation of Summer Place for the benefit of the Receivership estate.

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

**B. Recovery of Real Property.**

In addition to the assets discussed in conjunction with the expansion of the Receivership in Section V.A, the Receiver has also recovered a number of other assets, most of which continue to be 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 this section may be significantly different from the amounts realized upon selling such real property.

**1. Thomasville, Georgia.**

During the time covered by this Interim Report, the Receiver had possession and control of approximately 14 acres in Thomasville, Georgia (the "**Thomasville Property**"). On or about January 12, 2010, the Receiver entered into an agreement, subject to the Court's

approval, to sell this property. Subsequently, the Receiver sold the Thomasville Property. The details of the sale will be set forth in the Receiver's next Interim Report.

The Thomasville Property encompassed 45 lots, 44 of which were vacant. A home on one of the Thomasville Property lots was built by Home Front Homes. After the purchase of the Thomasville Property, approximately \$750,000 of infrastructure was added. The Thomasville Property's infrastructure 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 had two known encumbrances. The first encumbrance was a \$600,000 loan from Thomasville National Bank ("TNB"), on which a \$571,816 balance was due. Nadel prepaid the interest on this loan through December 2009. The second encumbrance was a loan for \$141,366 also from TNB for the construction of the house. Both of these loans matured in December 2009. The Receiver did not make any payments on either loan. During the time covered by this Interim Report, the Thomasville Property did not generate any income.

## **2. Grady County, Georgia.**

The Receiver is in possession 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 the Grady Property should contact

Brad Parker  
Tallahassee Land Company, Inc.  
217 John Knox Road  
Tallahassee, Florida 32303  
Office: (850) 385-6363  
Mobile: (850) 566-2629  
Fax: (850) 385-6337  
Email: Brad@tlhland.com

### 3. **Graham, North Carolina.**<sup>11</sup>

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 \$5,310,000 and is currently being leased to a Rite-Aid Pharmacy for \$33,073.08 per month under an absolute triple net lease.<sup>12</sup> The Rite-Aid Building has one known encumbrance: a \$2,655,000 interest-only loan with Wachovia Bank, which matured in June 2009. The Receiver paid interest on this loan through October 2009. He currently is not making any payments on this loan. The Receiver has reached an agreement in principle to sell the Rite-Aid Building and anticipates presenting the proposed sales transaction to the Court in the near future.

Parties interested in purchasing the Rite-Aid Building should contact:

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<sup>11</sup> The properties described in this subsection and the following subsections (4), (5), and (6) 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.

<sup>12</sup> Under an “absolute triple net lease,” a tenant is required to pay all property taxes, property insurance, and maintenance in addition to a monthly lump sum rent.

Jim Hamilton, Director  
Holliday Fenoglio Fowler, L.P.  
3414 Peachtree Road, NE  
Suite 736  
Atlanta, GA 30326  
Telephone: (404) 942-2212  
Mobile: (404) 219-7383  
Fax: (404) 942-2181  
Email: [jhamilton@hfflp.com](mailto:jhamilton@hfflp.com)

#### **4. Raleigh, North Carolina.**

The Receiver has possession and control of a building located at 4905 Waters Edge, Raleigh, North Carolina 27060 (the “**Waters Edge Building**”). This building was purchased for \$1,900,000 and was leased to Electronic Data Systems (“**EDS**”), a technology services provider, for \$29,688.54 per month under a triple net lease. EDS’ lease term ended January 2010 and EDS did not renew its lease. The Receiver is working on reletting this property. The Waters Edge Building has no known encumbrances. Parties interested in purchasing or leasing the Waters Edge Building should contact:

John A. Skicewicz, CCIM  
Coldwell Banker Commercial NRT  
1988 Gulf to Bay Blvd.  
Clearwater, Florida 33765  
Office: (727) 642-3965  
Fax: (727) 466-4119  
Toll Free: (800) 775-1696

Fred Dickens  
Senior Real Estate Advisor  
Coldwell Banker Commercial  
TradeMark Properties  
Email: [fdickens@cbctmp.com](mailto:fdickens@cbctmp.com)  
Direct: (919) 227-5508  
Main Office: (919) 782-5552

#### **5. 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 \$6,279.19 per

month under a triple net lease. The Starbucks Building has no known encumbrances. Parties interested in purchasing the Starbucks Building should contact:

John A. Skicewicz, CCIM  
Coldwell Banker Commercial NRT  
1988 Gulf to Bay Blvd.  
Clearwater, Florida 33765  
Office: (727) 642-3965  
Fax: (727) 466-4119  
Toll Free: (800) 775-1696

**6. Newnan, Georgia.**

The Receiver has possession and control of a gas station located at 5 McCollum Station, Newnan, Georgia 30265 (the “**Newnan Property**”). This property was purchased on January 20, 2006 for \$2,450,000. The Newnan Property consists of approximately two acres of land and a 3,500 square-foot building. The Newnan Property is currently being operated as a Shell service station with space for a convenience store and restaurant. The convenient store space is occupied by Candler Food, LLC #136 (“**Candler**”). The restaurant space is vacant. The convenient store tenant defaulted on its lease, and an eviction proceeding was filed. Due to the sale, discussed below, the Receiver is no longer pursuing the eviction proceeding. The Newnan Property has no known encumbrances.

On or about November 19, 2009, the Receiver entered into an agreement for the sale of this property to Candler, subject to the Court’s approval. On January 11, 2010, the Receiver filed a motion to approve the sale. (*See* Receiver’s Unopposed Motion to Approve the Sale of Real Property Located in Newnan, Coweta County, Georgia (Doc. 299).) The Court granted the Receiver’s motion on January 12, 2010 (Doc. 302). The agreement provides that Candler will pay \$1,725,000 to the Receiver at closing. Candler paid \$10,000

into escrow as earnest money. The closing was scheduled to occur on January 15, 2010. Due to some minor issues Candler had completing paperwork for the closing, the closing date was extended to the end of March. Because of the delay and at the Receiver's request, Candler deposited an additional \$35,000 in escrow. The balance of \$1,680,000 will be paid at closing.

The Receiver believes that the purchase price represents the fair market value of the Newnan Property and that the sale is in the best interests of the Receivership.

**7. 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.) Nadel and his wife purchased the Fairview Property for \$335,000 on June 14, 2004. The Fairview Property was a secondary residence of the Nadels and is located in the mountains of North Carolina. The Fairview Property has one known encumbrance: a loan with BB&T Bank on which there is a remaining principal balance of approximately \$248,941.73. The Receiver received two offers for the purchase of the Fairview Property. One offer was below what the Receiver believed to be the fair market value of the property. The Receiver is currently negotiating with the other prospective buyer. Parties interested in purchasing the Fairview Property should contact:

*The Armour Team*  
Mike and Nona Armour  
Keller Williams Professionals  
86 Asheland Avenue  
Asheville, NC 28801  
Mike Armour: (828) 771-2342  
Nona Armour: (828) 771-2336  
<http://armourteam.homesandland.com>, listing ID #13704540



**8. Sarasota, Florida (Fruitville Road).**

On July 8, 2009, the Court granted the Receiver's motion (Doc. 146) for possession of property located at 15576 Fruitville Road in Sarasota, Florida (the "**Fruitville Property**"). (Doc. 148.) To purchase the property, Nadel paid a \$5,000 deposit on March 5, 2003, and \$201,163.93 at closing. The Fruitville Property is residential property that was purchased in the names of Nadel and Mrs. Nadel, was deeded to their trusts, and was rented to third parties. Presently, the tenant pays a monthly rent of \$500. The Fruitville Property has one known encumbrance: a loan with Northern Trust on which there is a remaining principal balance of approximately \$173,929.23. As discussed in Section V.A.1 above, in conjunction with the sale of the assets of the VJC, the Receiver reached an agreement resolving outstanding debt obligations between Northern Trust and Receivership Entities. As part of that agreement and upon the sale of the Fruitville Property, Northern Trust has agreed to accept in full satisfaction of the mortgage, the principal amount of the mortgage owed when the Property became a Receivership asset, exclusive of all fees and penalties, provided a sale of the Property is closed within one year of the Court's order approving the agreement with Northern Trust, which occurred on January 20, 2010. (*See* Order, Jan. 20, 2010 (Doc. 321).)

Parties interested in purchasing the Fruitville Property should contact:

John A. Skicewicz, CCIM  
Coldwell Banker Commercial NRT  
1988 Gulf to Bay Blvd.  
Clearwater, Florida 33765  
Office: (727) 642-3965  
Mobile: (727) 642-3965  
Fax: (727) 466-4119  
Toll Free: (800) 775-1696

**9. Oberlin, Ohio.**

The Receiver is aware of a condominium in Oberlin, Ohio (the “**Oberlin Property**”). The Oberlin Property was purchased on or about September 23, 2003, with the funds of Intex Trading Corp. (“**Intex**”)<sup>13</sup> and was originally titled in Nadel’s name. On or about September 2, 2004, title in the Oberlin Property was transferred to the Clark/Nadel Revocable Trust. On or about October 9, 2008, Nadel as Trustee of the Clark/Nadel Revocable Trust transferred title in the Oberlin Property to Nadel’s son, Chris Nadel. On or about July 15, 2009, Chris Nadel and his wife, Amy L. Nadel, executed a quitclaim deed, which transferred all right, title, and interest in the Oberlin Property to the Receiver. There are no known encumbrances on the Oberlin Property. Parties interested in purchasing the Oberlin Property should contact:

Jackie Meinke  
Howard Hanna Real Estate Services  
1240 N. Abbe Road  
Elyria, Ohio 44035  
Phone: (440) 365-8392  
Fax: (440) 365-2769

**10. Sarasota, Florida (La Bellasara).**

On January 28, 2010, the Court granted the Receiver’s motion (Doc. 324) for possession of property located at 464 Golden Gate Point, Unit 703, Sarasota, Florida (the “**Bellasara Property**”). (Doc. 327.) The Bellasara Property is a residential condominium

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<sup>13</sup> Nadel created Intex and at all times was its sole director and officer. Intex was the General Partner of Scoop Investments, Ltd., which is the predecessor of Victory Fund. On November 27, 2002, Scoop Investments, Ltd. was renamed Victory Fund, Ltd. On December 20, 2002, Intex was replaced by Receivership Entity, Scoop Capital, as Victory Fund’s general partner.

unit in a building called La Bellasara. (Doc. 100.) On or about May 23, 2006, Neil Moody as Trustee of the Neil V. Moody Revocable Trust Agreement dated February 9, 1995 purchased the Bellasara Property for \$2,160,000. The Bellasara Property was Neil Moody's primary Florida residence. The Bellasara Property has two known encumbrances: a primary mortgage loan from MSC Mortgage, LLC in the amount of \$956,000 and a home equity line of credit from Wells Fargo Bank N.A. with an initial balance of \$880,000, both of which were obtained by Neil Moody on or about the date of the closing of the purchase of the Bellasara Property. The Bellasara Property is currently subject to a foreclosure proceeding in the Twelfth Circuit in and for Sarasota County, Florida. The Receiver is in the process of stopping the foreclosure action and intends to market the Property and negotiate with the lenders in an effort to generate money for the Receivership estate. Parties interested in purchasing the Bellasara Property should contact the Receiver directly.

**C. Recovery of Vehicles and Other Items.**

**1. 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"). Valhalla Management and Viking Management leased these vehicles for the Moodys' use. Because there was no value to these vehicles and only the continuing obligation of lease payments, the Receiver surrendered them to the respective leasing companies without penalty and without the lessor retaining any claim to Receivership assets.

Scoop Capital, LLC and Nadel's wife also owned a 1998 Jeep Wrangler. The Receiver sold this car to a dealership for \$4,500.

On July 7, 2009, the Court authorized the Receiver to bring into receivership a 2006 Subaru Legacy Outback. The Subaru was purchased with proceeds of Nadel's scheme. Mrs. Nadel delivered the Subaru to the Receiver. Parties interested in purchasing this vehicle should contact the Receiver directly.<sup>14</sup>

## 2. Condominium Note and Mortgage.

On April 30, 2009, the Court granted the Receiver exclusive interest in a note and mortgage for a condominium located at 774 North Jefferson Avenue in Sarasota, Florida. (Doc. 116.) The condominium's owner, an employee of the florist (*see* Section V.A.6, above), 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 assigned the note and mortgage to Nadel's former criminal defense attorneys, Cohen, Jayson & Foster, P.A., who subsequently assigned the note and mortgage to the Receiver, per the Court's order. The principal balance due under the note is \$125,742.24, and the outstanding interest as of December 11, 2009 is \$12,708.02. The condominium's owner is in default, and the Receiver has initiated foreclosure proceedings.

## 3. Bonds.com Assets.

The Receiver's investigation revealed that proceeds of the scheme were used to fund a number of assets related to Bonds.com, Inc. ("**Bonds.com**"). Bonds.com is a registered securities broker dealer established in 2007. Bonds.com developed and operates an online

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<sup>14</sup> For insurance and maintenance purposes, the Subaru was titled in the name of the VJC. Because the Subaru was not included in the sale of the assets of the VJC, on November 20, 2009, the Court approved the transfer of the Subaru's title to Tradewind for insurance and maintenance (Doc 234).

trading platform for the sale of fragmented lots of fixed income securities. The Receivership's Bonds.com assets consist of promissory notes, shares of stock, and warrants.

Two Promissory Notes (Valhalla Investment Partners)

The Receiver has two promissory notes from Bonds.com to Valhalla Investment Partners: one in the amount of \$400,000 and the other in the amount of \$203,000. Both notes accrue interest at 9% and are secured by the domain name [www.bonds.com](http://www.bonds.com). On November 2, 2010, Bonds.com paid \$100,000 toward the principal owed on the \$400,000 note and all accrued interest as of that date for a total payment of \$117,000. In November 2009, the Receiver and Bonds.com negotiated an amendment of this note. The amended note has a principal amount due of \$300,000 and continues to accrue interest at 9%. The next payment on this note in the amount of \$100,000 plus accrued interest is due April 1, 2010.

The note for \$203,800 matures on September 22, 2010, and is owed and outstanding. The \$203,800 note is a convertible note that can be converted into an equity interest in the company at the Receiver's option.

Stock (Valhalla Investment Partners)

The Receiver has possession and control of 1,591,395 shares of stock in Bonds.com held in the name of Valhalla Investment Partners. The shares are currently held in a brokerage account with Wells Fargo and as of January 31, 2010 are valued at \$429,676.65.

Stock and Promissory Note (Christopher D. Moody)

Christopher D. Moody had the following assets related to Bonds.com:

- 1) 3,116,171 fully paid and non-assessable common shares of stock in Bonds.com; and

- 2) a secured convertible promissory note executed by Bonds.com on September 22, 2008, in the amount of \$1,236,836, and a secured convertible promissory note executed by Bonds.com on December 12, 2008, in the amount of \$50,000.

On August 5, 2009, on the Receiver's motion, the Court entered an order transferring all right, title, and interest in Chris Moody's stock and notes to the Receiver. The Receiver has filed (i) a Schedule 13D (commonly known as the "Beneficial Ownership Report") with the Commission to report beneficial ownership of stock received from The Christopher D. Moody Revocable Trust and (ii) a Form 3 (Initial Statement of Beneficial Ownership of Securities) for the stock, as required under the Securities Exchange Act of 1934.

Chris Moody's shares also currently are held in a brokerage account with Wells Fargo. At the time Chris Moody's shares were brought into Receivership, they were worth \$810,204.46. As of January 31, 2010, the value of the shares was \$934,851.03. Combined with the shares held in the name of Valhalla Investment Partners, the Receivership currently holds more than 4.7 million shares of Bonds.com and as discussed below will likely obtain 2,048,946 more shares. While Bonds.com is a publicly traded company, the Receivership cannot readily sell all of these shares. If the Receiver were to sell all of these shares through the secondary market, the value of the shares would substantially decline as the shares were sold and the company would be adversely affected to a significant degree. The Receiver is contemplating the appropriate action to take with respect to all of the Receivership's interests in Bonds.com.

Stock and Promissory Note (Neil V. Moody)

Neil V. Moody also has stock in and notes from Bonds.com of a similar nature to Chris Moody's relevant assets:

- 1) 2,048,946 shares of stock in Bonds.com; and
- 2) a secured convertible promissory note made by Bonds.com in the amount of \$250,000 that is due in September 2010, convertible to 666,667 shares of stock in Bonds.com.

As discussed in Section V.D. below, the Receiver is in the process of acquiring Neil Moody's interest in Bonds.com.

Warrants

Warrants, which give the holder rights to acquire more shares on a fully diluted basis, also were issued to the Moodys and Valhalla Investment Partners. The following warrants were issued:

- 1) Christopher D. Moody Revocable Trust, approximately 857,900 warrants with an exercise price of about \$0.47.
- 2) Valhalla Investment Partners, approximately 135,869 warrants with an exercise price of about \$0.47
- 3) Neil V. Moody Revocable Trust, approximately 166,670 warrants with an exercise price of about \$0.47 and 378,717 warrants with an exercise price of \$0.66

The Receiver is still investigating these warrants.

**4. Quest EMG Promissory Note.**

As mentioned above in Section V.A.7, the Receiver also has a promissory note from Quest EMG and two individuals to Valhalla Investment Partners in the amount of \$1,100,000. Interest is being paid monthly on this note.

**5. Miscellaneous Items.**

The Receiver has also recovered a myriad of other items that he may be able to sell, including a variety of furniture, artwork, sculptures, fixtures, computers, jewelry,<sup>15</sup> and miscellaneous supplies. The Receiver will make reasonable efforts to maximize the amount he is able to recover from the possible sale of all of these items.

**D. Recovery of Assets from the Moodys.**

The Receiver's investigation has revealed that a significant portion of activities of certain Hedge Funds were, or should have been, managed and directed by the Moodys. Together, the Moodys received approximately \$42 million in fees from certain Receivership Entities.

In April 2009, the Receiver initiated contact with the Moodys' counsel. On April 17, 2009, the Receiver received a letter from the Moodys agreeing that they would not transfer

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<sup>15</sup> The Receiver has possession of jewelry from Queen's Wreath Jewels, Inc. ("Queen's Wreath"). The Moodys invested \$400,000 in Queen's Wreath and made several loans to the company. The funds used to invest in Queen's Wreath and make loans to it were primarily transfers from Receivership Entities. Queen's Wreath transferred the ownership of the remaining jewelry to the Moodys in exchange for satisfaction of the outstanding loans and a relinquishment of their ownership interest in the company. On September 3, 2009, the Court granted the Receiver's motion for, among other things, possession of the jewelry (Doc. 190). The Receiver is in the process of selling this jewelry. He has received several bids, but believes the bids are below market value.



any assets of value owned by them, nor would they remove any such assets from the state of Florida without prior written notice to the Receiver. Chris Moody has satisfied this commitment and has fully cooperated with the Receiver in connection with the turnover of all of his assets. On January 19, 2010, Chris Moody gave the Receiver a power of attorney which allows the Receiver to effectuate the transfer of most of his assets without any direct participation from Chris Moody.

The Receiver met with Chris Moody, confirmed the assets he owned, and reviewed in detail Chris Moody's interests and liabilities in those assets. The Receiver has taken possession of most of Chris Moody's assets. These assets include: (1) personal property, such as cars and a boat; (2) real property, including two rental properties and an interest in a third rental property; (3) bank and brokerage accounts; and (4) various corporate interests. The Receiver is currently evaluating these assets and will provide a detailed listing of the assets in the next Interim Report.

Neil Moody, on the other hand, has not cooperated with the Receiver. The Receiver's attempts to obtain the same level of cooperation in the orderly turnover of assets from Neil Moody have been unsuccessful. Neil Moody has taken the position that he would like to maintain some of the assets he owns although they were purchased with misappropriated funds. These assets include (1) personal property; (2) real property; (3) bank and brokerage accounts; and (4) various corporate interests, including the Bonds.com interests discussed above. On January 28, 2010, the Receiver obtained possession of a condominium owned by Neil Moody in Sarasota (*see* Discussion at V.B.10 above for Bellasara Property; Order, Jan. 28, 2010 (Doc. 327)). The Receiver was forced to seek possession of this Property by

motion to the Court because Neil Moody was unwilling to simply transfer title to the Receiver (based on the contention that it would have violated the loan covenants attendant to his mortgage on the property) or even assist with an affidavit. The Receiver is now proceeding to recover the balance of Neil Moody's assets without his cooperation.

Enforcement Action Instituted Against Moodys

On January 11, 2010, the Commission instituted an enforcement action against the Moodys alleging that they violated antifraud provisions of the federal securities laws in connection with their involvement in Nadel's scheme. *See generally SEC v. Neil V. Moody, et al.*, Case No. 8:10-cv-00053-T-33TBM (M.D. Fla.) (the "**Moody SEC Action**"), Compl. (attached as Exhibit A to Doc. 325). Specifically, the Commission asserts that the Moodys misrepresented to the investing public that they actively managed and oversaw assets of the Moody Funds.<sup>16</sup> In reality, they allowed Nadel to exercise "complete control of the Moody Funds' assets and trading activities without any meaningful oversight or supervision." (*Id.* ¶ 44.) As such, the Moodys distributed bogus account statements and baseless offering materials to investors (*id.* ¶ 40); never audited or examined the Moody Funds' securities accounts (*id.* ¶ 44); never reviewed the monthly account statements (*id.*); failed to take any adequate measures to ensure accurate account statements and offering materials (*id.*); and ignored red flags that should have alerted them that Nadel was engaged in the scheme, including by allowing Nadel to continue providing purported investment advice and controlling the Moody Funds although he both repeatedly threatened to stop providing such

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<sup>16</sup> The "Moody Funds" are defined in the Commission's complaint to include: Valhalla Investment Partners, L.P., Viking IRA Fund, LLC, and Viking Fund, LLC. (*Id.* ¶ 1.)

advice if the Moodys insisted on auditing the Moody Funds (*id.* ¶ 42) and refused to provide those statements to the Moodys' accountant (*id.* ¶ 43). In short, according to the Commission's complaint, the Moodys' intentional and reckless conduct allowed Nadel to perpetrate his scheme and amounted to fraud.

On January 11, 2010, Neil Moody and Chris Moody, without admitting or denying the allegations of the complaint, consented to entry of a permanent injunction and agreed to disgorge all ill-gotten gains upon the Commission's request. (Moody SEC Action, Consent of Def. Neil V. Moody ¶ 3 ("Consent"), Doc. 2, Ex. 2) (also attached as Ex. B to Doc. 325.); Moody SEC Action, Consent of Def. Christopher D. Moody ¶ 3, Doc. 2, Ex. 1).

Significantly, in the Moody SEC Action Neil Moody waived his right to deny the allegations in that proceeding as well as in this one. In the Consent, he agreed "not to take any action . . . denying . . . any allegation in the complaint . . . ." Although the Consent notes that Neil Moody has not waived the "right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party," here the Commission is a party and thus Neil Moody is precluded from denying in this proceeding the allegations in the Moody SEC Action complaint. (*Id.* ¶ 9.)

#### **E. Litigation.**

In January, 2010, the Receiver filed **134** lawsuits seeking **\$71,096,326.43**. The lawsuits seek (1) the recovery of false profits from investors; (2) the recovery of distributions from Receivership Entities to the Moodys, Don Rowe, Joyce Rowe, and certain of their affiliated entities; (3) the recovery of other distributions, such as commissions, from other individuals and/or entities; and (4) the recovery of certain charitable contributions made with

scheme proceeds. The Receiver also continues to pursue malpractice litigation against Holland & Knight and continues to evaluate possible additional litigation.

**1. Recovery of False Profits from Investors.**

As discussed in Section III.C., above, the Receiver has determined that some purported investor accounts received monies in an amount that exceeded their investments. These purported profits were false because they were not based on any trading or investment gain, but rather were fruits of a Ponzi scheme that consisted of commingled funds of new and existing investors. To date, the Receiver has discovered approximately \$35 million in such “false profits.” The Receiver spent substantial time identifying recipients of these false profits. In consultation with the Commission, the Receiver concluded that, in the best interests of the Receivership Entities and the investors as a whole, these inequitable distributions should be recovered and distributed in an equitable manner among investors holding legitimate and allowed claims (as to be determined by the claims process).

The Receiver sent more than 180 demand letters to investors, each of whom, according to the records in the Receiver’s possession, made false profits by receiving monies from Hedge Funds in an amount that exceeded his or her investments (the “**Profiteers**”). With the Commission’s approval, the Receiver offered to settle with each of these Profiteers for payment of 90% of the pertinent false profits. As of January 31, 2010, the Receiver reached settlements with 34 Profiteers for a total sum of \$3,303,553.20. The Court has approved all 34 of these settlements. The Receiver’s efforts during this period also led to the settlement of ten additional cases as of March 10, 2010, for a further amount of

\$1,590,355.62. Thus, as of March 10, 2010, the Receiver had reached agreements to settle with 44 Profiteers for a total amount of \$4,893,908.82.

In January 2010, the Receiver initiated **121** lawsuits against Profiteers seeking to recover total false profits of approximately **\$32,755,269.13** from those investors who did not settle the Receiver's claims during the demand stage.<sup>17</sup> The complaints set forth claims for unjust enrichment and fraudulent transfers pursuant to Florida's Uniform Fraudulent Transfers Act ("FUFTA"). In anticipation of initiating lawsuits, the Receiver filed Motions to Reappoint Receiver (Docs. 139, 315). Those motions were granted on June 3, 2009 and January 19, 2010, respectively. Except in situations where defendants had, or should have had, knowledge of the fraudulent investment scheme or did not act in good faith, the Receiver is seeking to recover false profits but not the amount equivalent to the principal investment. Individuals and/or entities who the Receiver believes did not act in good faith are discussed in sub-sections V.E.2 and V.E.3 immediately below.

The Receiver believes that he has identified all of the Profiteers. However, the Receiver is verifying that identification and will bring additional actions if appropriate and in the best interests of the Receivership. The Receiver is continuing to engage in settlement discussions with defendants of the lawsuits discussed above.

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<sup>17</sup> During this time, the Receiver filed another three complaints seeking an additional total amount of \$91,201.95. However, after filing these three complaints, the Receiver became aware of information that showed the defendants had not received false profits. Accordingly, the Receiver dismissed the complaints. These complaints and the amount sought therein are not included in the totals identified above.

**2. Litigation against Moodys and Rowe.**

**a. Moodys.**

On January 20, 2010, the Receiver filed suit against Neil V. Moody, individually and as Trustee of the Neil V. Moody Revocable Trust; Sharon G. Moody, individually and as Trustee of the Sharon G. Moody Revocable Trust; and the Neil V. Moody Charitable Foundation, Inc. (collectively the “**Moody Defendants**”) for the return of **\$28,341,953.10**. *See Wiand, as Receiver v. Neil V. Moody, et al.*, Case No. 8:10-cv-249-T-17MAP (M.D. Fla.). As set forth in the Complaint, the Moody Defendants received distributions of purported trading profits or purported principal redemptions in connection with their investments which do not satisfy FUFTA’s “good faith” and reasonably equivalent value standard and which are unjust. Further, Neil Moody received distributions of purported management and performance fees in connection with his purported management of certain Hedge Funds under circumstances which also do not satisfy FUFTA’s good faith standard and which are unjust. The Receiver seeks to avoid all those transfers under FUFTA, or alternatively, seeks disgorgement of those amounts pursuant to equitable claims of unjust enrichment.

**b. Rowe.**

On January 20, 2010, the Receiver filed suit against Donald Rowe, individually and as Trustee of the Wall Street Digest Defined Benefit Pension Plan, Joyce Rowe, and Carnegie Asset Management, Inc. (“**CAM**”) (collectively “**Rowe Defendants**”) for the return of **\$8,610,428.90**, which includes approximately \$2,106,568.89 in false profits. *See Wiand, as Receiver v. Donald Rowe, et al.*, Case No. 8:10-cv-245-T-17MAP (M.D. Fla.). As set

forth in the Complaint, Donald Rowe, both in his individual capacity and as Trustee of the Wall Street Digest Defined Benefits Pension Plan, and Joyce Rowe were investors in one or more of the Hedge Funds and received distributions of purported trading profits or purported principal redemptions in connection with their investments which do not satisfy FUFTA's "good faith" standard and which are unjust. The Receiver seeks to recover those transfers under FUFTA, or alternatively, seeks disgorgement of those amounts pursuant to equitable claims of unjust enrichment.

Further, CAM (and Carnegie Wealth Management ("CWM"), a division of CAM) also received certain funds from the Hedge Funds under the terms of a purported "Non-Solicitation Agreement." This Agreement was merely a financial settlement pursuant to which money from the Hedge Funds was transferred to CAM and CWM for "management" and "performance" fees Donald Rowe claimed he was supposed to receive for his referral and solicitation of investors to the Hedge Funds. The Receiver believes this Agreement was fraudulent and nothing more than a document designed for the sole purpose of paying improper fees to CAM and CWM. The Receiver seeks to recover all such sums distributed to CAM and CWM from Receivership Entities.

The Hedge Funds also paid "management" and "performance" fees based on the purported value and performance of the Hedge Funds to another entity controlled by Rowe, Wall Street Online ("WSO"). WSO is now defunct, however, the Receiver has information and believes that its assets remain under Donald Rowe's control. The Receiver seeks to recover all such sums distributed to WSO from Receivership Entities.

**3. Recovery of Fees from Recipients of Commissions or Other Transfers.**

**a. Recovery of Commissions.**

Information available to the Receiver reveals that at least three individuals received commissions as “compensation” under circumstances that warrant the Receiver’s recovery of those sums. In January 2010, the Receiver initiated lawsuits against these three individuals. *See Wiand, Receiver v. Kelvin V. Lee and Barbara Lee*, Case No. 8:10-cv-251-T-17MAP (M.D. Fla.) (seeking the return of \$93,921.28 in purported fees and \$33,077.26 in false profits); *Wiand, Receiver v. Michael Corcione*, Case No. 8:10-cv-234-T-17MAP (M.D. Fla.) (seeking the return of \$7,500 in purported fees); and *Wiand, Receiver v. Steve Ellis*, Case No. 8:10-cv-233-T-17MAP (M.D. Fla.) (seeking the return of \$62,299.64 in purported fees). The Hedge Funds paid the Defendants in these cases “management” and “performance” fees based on the purported value and performance of the Hedge Funds. The Receiver seeks to recover those transfers under FUFTA, or alternatively, seeks disgorgement of those amounts pursuant to equitable claims of unjust enrichment.

**b. Recovery of Other Transfers.**

The Receiver has also determined that two entities received improper distributions in connection with Nadel’s Scheme: GQ Digital Home Integration, Inc. (“**GQ Digital**”) and Alpha Ventures Securities Company (“**Alpha Ventures**”). GQ Digital was not an “investor” in the Hedge Funds, but is a business that received funds from the Nadels which were scheme proceeds. Specifically, GQ Digital received \$241,000 in wrongful distributions. On January 20, 2010, the Receiver initiated an action to recover those funds. *See Wiand, Receiver v. GQ Digital Home Integration, Inc.*, Case No. 8:10-cv-250-T-17MAP (M.D. Fla.).



Alpha Ventures, with Daniel Blumberg, likewise received wrongful distributions in connection with Nadel's fraud. Specifically, Alpha Ventures received \$129,627.43 from the Hedge Funds as an improper distribution as a result of Mr. Blumberg's individual investment. On January 20, 2010, the Receiver initiated an action to recover those funds. *See Wiand, Receiver v. Alpha Ventures, et al.*, Case No. 8:10-cv-235-T-17MAP (M.D. Fla.).

**4. Recovery of Charitable Contributions Made with Scheme Proceeds.**

Nadel formed the Guy-Nadel Foundation in December 2003 as a non-profit corporation for charitable, educational and scientific purposes. The Foundation was funded solely with proceeds of Nadel's scheme. All money Nadel wrongfully caused to transfer or pay to the Foundation was diverted and misappropriated by him in connection with his scheme. The Receiver has discovered that from 2000 through 2008, the Guy-Nadel Foundation made a total of \$2,484,589 in contributions to various non-profit organizations and charities.

The Receiver has focused his attention on the charitable organizations that received the most misappropriated funds. The Receiver sought to obtain tolling agreements from all charitable organizations so he could contemplate the appropriate action to take regarding these significant disbursements. Three charities did not provide such agreements, thus the Receiver had no recourse but to initiate actions against them. *See Wiand, Receiver v. Catholic Charities, Diocese of Venice, Inc.*, Case No. 8:10-cv-247-T-17MAP (M.D. Fla.) (seeking the return of \$40,000); *See Wiand, Receiver v. Diocese of Venice in Florida, Inc.*, Case No. 8:10-cv-247-T-17MAP (M.D. Fla.) (seeking the return of \$370,000); *See Wiand,*

*Receiver v. Sarasota Opera Association, Inc.*, Case No. 8:10-cv-248-T-17MAP (M.D. Fla.) (seeking the return of \$353,125).

The Receiver is contemplating the appropriate action to take with respect to the charities that entered tolling agreements.

**5. Class Action Litigation.**

The Receiver had communications with the law firm of Johnson, Pope, Bokor, Ruppel & Burns, LLP (“**Johnson Pope**”) regarding the institution of a class action against Holland & Knight, LLP (“**H&K**”), 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 investor Michael Sullivan and others similarly situated, instituted a class action suit against H&K, *Michael Sullivan v. Holland & Knight LLP*, Case No. 09-cv-0531-EAJ (M.D. Fla.). Should Johnson Pope be successful in this litigation, the Receiver expects that investors who suffered losses as a result of the fraudulent scheme will be able to pursue a valid claim.

**6. Malpractice Litigation.**

The Receiver entered into a contingency fee agreement with Johnson Pope whereby Johnson Pope will pursue professional malpractice claims by the Hedge Funds against H&K, seeking damages of more than \$50 million. (*See also* Order dated August 12, 2009 (Doc. 175).) On or about August 31, 2009, the Receiver initiated an action against H&K on behalf of the Hedge Funds. *Scoop Real Estate, L.P., et al. v. Holland & Knight, LLP, et al.*, Case No. 2009-ca-014887-NC (Sarasota County, Fla., 12th Jud. Cir.). On or about September 30, 2009, H&K removed the action to the Middle District of Florida. *See* Notice of Removal,

Doc. 1, *Scoop Real Estate, L.P., et al. v. Holland & Knight LLP, et al.*, Case No. 8:09-cv-1992 (M.D. Fla.). On November 16, 2009, the Court granted the Receiver's motion to remand. The case is again proceeding in state court and discovery is underway. On or about October 20, 2009, H&K filed a motion to dismiss. The motion to dismiss was heard on March 9, 2010. The Receiver will report on the outcome of that hearing in the next Interim Report.

#### **7. Other Potential Litigation.**

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.

#### **VI. Claims Process.**

During the time covered by this Report, the Receiver substantially completed the necessary motion to initiate the claims process. The motion will seek the Court's approval of (1) a procedure to administer claims and a proof of claim form, (2) a deadline for the filing of proofs of claim, and (3) notice by mail and publication. The Receiver anticipates filing this motion in the near future. If the motion is approved, the Receiver will likely mail Proof of Claim Forms to all known investors to their last known address within 90 days of the order granting the motion. The Receiver will also seek the Court's permission to publish notice of the claims process on one day in *The Wall Street Journal* and *The Sarasota-Herald Tribune*. After receipt of Court approval, documents relating to the claims process, including the

motion, Proof of Claim Form and Notice will be posted on the Receiver's website, [www.nadelreceivership.com](http://www.nadelreceivership.com).

**VII. Investigating Receivership Affairs and Tracing 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 into 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 is also assisting in determining the amount of each investor's loss. The Receiver has also retained the services of Otto L. Wheeler, CPA/ABV, of Wheeler Fairman & Kelly Certified Public Accountants in Austin, Texas, in connection with the Viking Oil & Gas venture discussed at Section V.A.7, above.

**VIII. The Next Sixty Days.**

The Receiver has received useful information from investors and third parties during the course of the Receivership. A number of people have contacted him with respect to the location of assets. The Receiver would like to thank those parties for their efforts. For anyone who may have information that they believe would be of use to the Receivership, the Receiver encourages those parties to bring that information to him.

The Receiver has received most but not all 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 full volume of documents he expects to receive, it is difficult to estimate the time needed for completion.

The Receiver has compiled and performed a first analysis of all individual investor accounts and is in the process of completing a second, more detailed analysis. This is a necessary task to assess and administer investor claims. The Receiver will file the necessary motion to commence the claims process. Following the Court's approval and subject to any modifications required by the Court, the Receiver will provide notice of the claims process pursuant to the terms approved by the Court.

The Receiver will proceed with the pending cases. He will continue attempts to serve process on any defendants that yet have not been served. The Receiver will continue to thoroughly consider and review any settlement offers for pending cases and engage in settlement negotiations. The Receiver will make every effort to reach compromises that are in the best interests of the Receivership Entities and the investors.

The Receiver will continue to review information to determine if any third parties may have liability either to the Receivership estate or investors. The Receiver will likely institute litigation against financial institutions that assisted Nadel and his companies.

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.

### **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 [jrizzo@wiandlaw.com](mailto:jrizzo@wiandlaw.com) or call Jeffrey Rizzo at 813-347-5100.

Dated this 10<sup>th</sup> day of March, 2010.

Respectfully submitted,

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

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on March 10, 2010, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system. I further certify that I mailed the foregoing document and the notice of electronic filing by first-class mail to the following non-CM/ECF participant:

Arthur G. Nadel,  
Register No. 50690-018  
MCC New York  
Metropolitan Correctional Center  
150 Park Row  
New York, NY 10007

**s/ Gianluca Morello**

Gianluca Morello, FBN 034997

[gmorello@wiandlaw.com](mailto:gmorello@wiandlaw.com)

Maya M. Lockwood, FBN 0175481

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*Attorneys for the Receiver, Burton W. Wiand*

**Standardized Fund Accounting Report**  
**for Consolidated Nadel Entities - Cash Basis**  
**Receivership; Civil Court Docket No. 8:09-cv-87-T-26TBM**  
**Reporting Period 11/01/09 to 01/31/10**

<b>Fund Accounting (See Instructions):</b>				
		<b>Detail</b>	<b>Subtotal</b>	<b>Grand Total</b>
Line 1	Beginning Balance (As of 11/01/09):			3,937,351.29
	<b>Increases in Fund Balance:</b>			
Line 2	Business Income	720,409.84		
Line 3	Cash and Securities	25.29		
Line 4	Interest/Dividend Income	27,790.35		
Line 5	Business Asset Liquidation	428,225.25		
Line 6	Personal Asset Liquidation	-		
Line 7	Third-Party Litigation Income	1,502,461.12		
*Line 8	Miscellaneous - Other	393.91		
	<b>Total Funds Available (Line 1 - 8):</b>		<b>2,679,305.76</b>	<b>6,616,657.05</b>
	<b>Decreases in Fund Balance:</b>			
Line 9	Disbursements to Investors			
*Line 10	Disbursements for Receivership in Operations	0.00		
Line 10a	Disbursements to Receiver or Other Professionals	318,869.46		
Line 10b	Business Asset Expenses	558,173.90		
Line 10c	Personal Asset Expenses	-		
Line 10d	Investment Expenses			
Line 10e	p			
	1. Attorney Fees			
	2. Litigation Expenses			
	<b>Total Third-Party Litigation Expenses</b>			
Line 10f	Tax Administrator Fees and Bonds			
Line 10g	Federal and State Tax Payments	17,900.67		
	<b>Total Disbursements for Receivership Operations</b>		<b>\$894,944.03</b>	<b>\$894,944.03</b>
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			
	<b>Total Plan Development Expenses</b>			

Line 8      transfer from Viking Oil & Gas, LLC to close account  
 Line 10     Money transferred from other companies to receiver acct

**EXHIBIT A**



**Standardized Fund Accounting Report  
for Consolidated Nadel Entities - Cash Basis  
Receivership; Civil Court Docket No. 8:09-cv-87-T-26TBM  
Reporting Period 11/01/09 to 01/31/10**

<b>Fund Accounting (See Instructions):</b>				
		<b>Detail</b>	<b>Subtotal</b>	<b>Grand Total</b>
<i>Line 11b</i>	<i>Distribution Plan Implementation Expenses:</i>			
	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			
	<b>Total Plan Implementation Expenses</b>			
	<b>Total Disbursements for Distribution Expenses Paid by the Fund</b>			
<i>Line 12</i>	<i>Disbursements to Court/Other:</i>			
<i>Line 12a</i>	<i>Investment Expenses/Court Registry Investment System (CRIS) Fees</i>			
<i>Line 12b</i>	<i>Federal Tax Payments</i>			
	<b>Total Disbursements to Court/Other:</b>			
	<b>Total Funds Disbursed (Lines 9 - 11)</b>			<b>\$894,944.03</b>
<i>Line 13</i>	<i>Ending Balance (As of 10/31/09)</i>			<i>5,721,713.02</i>
<i>Line 14</i>	<i>Ending Balance of Fund - Net Assets:</i>			<i>5,721,713.02</i>
<i>Line 14a</i>	<i>Cash &amp; Cash Equivalents</i>			<i>3,838,686.62</i>
<i>Line 14b</i>	<i>Investments</i>			<i>1,883,026.40</i>
<i>Line 14c</i>	<i>Other Assets or Uncleared Funds</i>			
	<b>Total Ending Balance of Fund - Net Assets</b>			<b>5,721,713.02</b>