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In Nadel case, a line of defense emerges

By [Michael Pollick](#) & [John Hielscher](#)
Staff Writers

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To get out of jail while awaiting trial on charges of bilking investors out of millions, Sarasota's Arthur G. Nadel is pointing fingers at his ex-business partners, the father-and-son team of Neil and Chris Moody.

In documents supporting lower bail to be considered today by a federal judge in New York, Nadel defense attorney Mark Gombiner says "the government's account of the allegedly overwhelming evidence against Mr. Nadel virtually omits any reference to Neil and Chris Moody."

Neither Neil nor Chris Moody has been charged with any crime in the January failure of the six hedge funds that they helped run from the offices of Sarasota's Scoop Management.

One of the duo's attorneys denied the implications of Gombiner's line of defense.

"What I can tell you is Neil and Chris Moody have actively cooperated with all authorities since this first came to light," said Bob Fulton, a partner at the Tampa law firm of Hill Ward & Henderson. "They continue to actively cooperate. They didn't participate or have knowledge of any fraud."

In what could be a taste of evidence to come, Gombiner includes a letter written by a Riverside, Calif., man who has lost \$1.38 million over the course of five years through his investments with Viking Management LLC.

During that entire time, Anil Deolalikar says he dealt with only two individuals at the firm: Chris Moody, vice president and treasurer of Viking Management LLC, and Andrew Martin, who is the fund administrator. Deolalikar said he remembers specifically asking Chris Moody in February 2008 why the firm was not having its books audited and certified by an external auditor.

"He never had a good answer to that," Deolalikar said in a telephone interview on

Monday.

In retrospect, Deolalikar says he wishes he had listened to the small doubt that created in his mind about the firm.

Instead, he turned over more and more money to the Viking fund, including \$68,000 as late as May 2008.

For Gombiner, this is anecdotal proof that the case against Nadel is far more complicated than a single indictment against his client would indicate.

"The Moodys -- not Mr. Nadel -- were the general partners of the Valhalla and Viking funds," Gombiner wrote in the court documents. "The facts will show that they actively solicited investors for their funds; made many of the investment decisions, and received at least half of the fees and profits generated by the six funds identified in the indictment."

"Standing alone, the government's bold attempt to edit the Moodys out of the picture suggests that the case against Mr. Nadel is not nearly as strong or simple as the government would have the court believe," Gombiner wrote.

In the accompanying civil case filed by the U.S. Securities and Exchange Commission against Nadel in Tampa, court-appointed receiver Burton Wiand says he is getting ready to broaden his asset seizures to include the Moodys, who Wiand says controlled "a significant portion" of some of the hedge funds.

"From the documentation reviewed to date, the Moodys have received millions of dollars as a result of their efforts and participation in Nadel's activities," Wiand said in his "second interim report" filed June 9 with the Tampa court.

"The receiver is preparing to institute appropriate legal action against the Moodys to recover this money and assets that were acquired with this money," he said.

The Moodys shared with Nadel in \$97 million worth of management, advisory and profit incentive fees, even though much of the profits were manufactured, Wiand contends.

In his report, Wiand said he has identified 371 investors who invested \$397 million in the hedge funds. He estimates investor losses at \$168 million.

Some investors pulled more money out of the funds than their original investment. Wiand is trying to "claw back" \$53.5 million in those "fictitious" profits.

Meanwhile, Gombiner will ask a federal judge today in New York to reduce Nadel's bail from \$5 million to \$1 million so that the 76-year-old can await trial at home in Sarasota.

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