

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 EIGHTH INTERIM REPORT**

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

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## INTRODUCTION

Burton W. Wiand, the Court-appointed Receiver for the Receivership Entities as defined herein, hereby files this Eighth Interim Report (the “**Report**”) to inform the Court, the investors, and others interested in this Receivership, of activities from October 1, 2010 through December 31, 2010 as well as the proposed course of action.<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; Home Front Homes, LLC; and Traders Investment Club.

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

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

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

#### **Overview of Significant Activities During this Reporting Period**

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

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

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

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

## **BACKGROUND**

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**A. The Ponzi Scheme.**

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

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

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

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

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

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

**B. Fictitious Trading Results.**

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

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

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

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



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

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

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

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

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

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

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

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

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

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

<b>Year</b>	<b>Management Fees</b>	<b>Performance Incentive Fees</b>	<b>Total Fees</b>
2001	721,728	124,723	846,451
2002	721,906	1,061,285	1,783,191
2003	997,967	3,440,759	4,438,726
2004	3,279,751	7,214,560	10,494,311
2005	4,784,428	12,869,824	17,654,252
2006	6,330,654	14,938,134	21,268,788
2007	6,369,072	14,238,590	20,607,662
2008	6,972,969	13,660,088	20,633,057
<b>Total</b>	<b>30,178,475</b>	<b>67,547,963</b>	<b>97,726,438</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. During the time the Hedge Funds operated, neither Nadel nor his wife had any source of income that was not in some manner funded with money from that scheme.

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

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

As stated above, to date, the Receiver has discovered and identified approximately 390 investors who invested slightly more than \$330 million.<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.E, below.

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

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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” with different Hedge Funds. The currently reported total investment number does not include these purported transfers.

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

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

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

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<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.

**Table 3: Fund Performance as Represented in Executive Summaries**

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

\* Results are for an incomplete year.

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

**Table 4: Actual Hedge Fund Performance**

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

\* Results are for an incomplete year.

