

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

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

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UNITED STATES OF AMERICA :
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- v. - :
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ARTHUR G. NADEL, :
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Defendant. :
:
COUNTY OF OFFENSE:
:
NEW YORK
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SEALED COMPLAINT

Violation of  
15 U.S.C. §§ 78j(b),  
78ff; 17 C.F.R. §  
240.10b-5; 18 U.S.C.  
§§ 1343, 2.

SOUTHERN DISTRICT OF NEW YORK, ss.:

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

COUNT ONE  
(Securities Fraud)

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

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

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

COUNT TWO  
(Wire Fraud)

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

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

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

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

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

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

Relevant Entities and Individuals

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Nadel's Management of Certain Funds

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

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

### Nadel's Wire Transfers

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

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

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

#### Nadel's Scheme Unravels and Nadel Flees

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

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

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

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

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

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

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

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

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

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

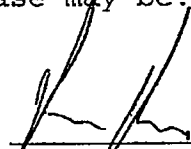


Fund	NLV ending 12/04	NLV ending 12/05	NLV ending 12/06	NLV ending 12/07	NLV ending 12/08
Viking IRA Fund LLC	\$18,767,696	\$19,787,093	\$9,539,919	\$1,738,703	\$2,923
Viking Fund LLC	\$33,375,622	\$25,983,502	\$10,054,454	\$2,036,992	\$30,929
Valhalla Investment Partners	\$19,448,979	\$14,249,335	\$7,017,679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

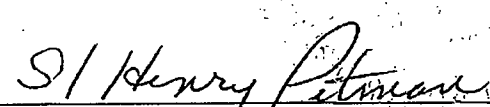
20. As reflected in paragraph 19, the documents provided by the custodian relating to the value of the assets in the Group I Funds and the Group II Funds, the representations that ARTHUR G. NADEL, the defendant, made to investors relating to positive returns on the investments and the total amount of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

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

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

  
\_\_\_\_\_  
KEVIN G. RIORDAN  
SPECIAL AGENT  
FEDERAL BUREAU OF INVESTIGATION

Sworn to before me this  
21<sup>st</sup> day of January 2009

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