

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 was originally purchased by Laurel Mountain in 2003 and then “sold” to Laurel Preserve in February 2006. Laurel Mountain provided financing for that purchase in the form of a \$2,900,000 loan to Laurel Preserve. According to documentation retrieved from the Office, Laurel Mountain and Laurel Preserve received significant funding 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 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, N.A. There is a monthly payment of \$5,149.66 due on this latter loan and the Receiver presently is not making payments on this loan. The third encumbrance is an easement of approximately 169 acres of the Laurel

Mountain Property, which was granted to a land conservancy in 2005 (the “**Easement**”). It appears that this donation was made in part for the Nadel’s 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 has 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 is still evaluating 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 trustee is identified as Mrs. Nadel. The Receiver’s investigation revealed that the Trust was funded entirely with proceeds of Nadel’s scheme through (1) a transfer of \$500,000 from Scoop Management in August 2007 and (2) a transfer of \$150,000 from Scoop Capital on the day before Nadel fled. It also revealed that Nadel controlled the account in which the money held by the Trust purchased and sold securities. Significantly, as alleged in the criminal complaint against Nadel, in an apparent note Nadel left for his wife before fleeing, he instructed her to “use the trust (yours) to your

benefit as much and as soon as possible.” *United States v. Nadel*, Case No. 09 MAG 169 (S.D.N.Y.), Compl. ¶ 17, attached as Exhibit 14 to the Receiver’s Declaration in Support of Second Unopposed Motion to Expand receivership (Doc. 37-15).

On February 11, 2009, the Court expanded the Receivership to include the Trust. Since the Receiver’s appointment as Receiver of this Trust, he has taken control of its bank account. The Receiver has used these funds for Receivership costs and expenses.

5. Guy-Nadel Foundation, Inc.

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

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.

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 the Receiver is attempting to sell them. There are no known encumbrances on these vans.

7. Viking Oil & Gas, LLC.

Viking Oil & Gas, LLC ("**Viking Oil**") is a Florida limited liability company formed in January 2006 by Neil V. Moody and Christopher D. Moody (the "**Moody's**") 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**"). 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 – who is reviewing materials and determining what 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.

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 and 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 with impunity. The Receiver thus filed a motion for entry of order finding Bishop in contempt and for sanctions, which is set for hearing on December 1, 2009.

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 to sell Home Front Homes in exchange for \$800,000 as follows: \$600,000 by wire transfer as well as a secured promissory note in the principal amount of \$200,000.00. The proposed sale would have provided \$280,000.00 to the Receivership and would have given the purchasers the opportunity to resolve claims of creditors of Home Front Homes. On August 10, 2009, the Court expanded the Receivership to include Home Front Homes. (Doc. 170.)

The purchaser had agreed to take over the business operations of Home Front Homes and to fund that business. (*See also* Receiver's Decl. in Support of Resp. in Opp. to William F. Bishop's Mot. to Intervene, filed Sept. 23, 2009 (Doc. 205).) In September 2009 the purchaser notified the Receiver that it refused to satisfy its obligations under the binding agreement. The Receiver has learned that the individual who negotiated the transaction on behalf of the purchaser and who was a principal of the purchaser had been charged in 2007 with several counts of scheme to defraud. In October 2007 he was released pending trial and was placed under pretrial supervision by the United States District Court for the Middle District of Florida. Within the past month, he was arrested for violating conditions of pretrial release. The purchaser walked away from the transaction, and the Receiver was left with an absence of appropriate personnel to operate the business and capital to meet the company's operational demands. Given those circumstances, the Receiver determined that it is in the best interest of the Receivership to close Home Front Homes and cease all business operations. The Receiver is not aware of any potential options that might revive the business. The Receiver is in the process of selling Home Front Homes' remaining assets.

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 had 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 (30) 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 are in the process of being valued, assessed, and otherwise analyzed for liquidation, disposition, or other action. Again, given the state of the U.S. economy at the time of submission of this Report, the Receiver emphasizes that any estimates, appraisals, or valuations are subject to change because of market forces. In particular, due to the poor state of the real estate markets, the estimates provided in this section may be significantly different from the amounts realized upon selling such real property.

1. Thomasville, Georgia.

The Receiver has possession and control of approximately 14 acres in Thomasville, Georgia (the "**Thomasville Property**"). The Thomasville Property encompasses 45 lots, 44

of which are vacant. A home on one of the Thomasville Property lots was built by Home Front Homes. After 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 has two known encumbrances. The first encumbrance is a \$600,000 loan, on which a \$571,816 balance is due. Interest on the borrowings is current through 2009. The second encumbrance is a loan for \$141,366 for the construction of the house. Both of these loans mature in December 2009. The Thomasville Property currently is not generating any income.

The Thomasville Property is ready for sale with 45 lots having all utilities, roads, and other improvements. Parties interested in purchasing this property 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

Howard Broadway
Century 21
116 East Jackson Street
Thomasville, Georgia 31792
(229) 227-0021
<http://www.broadway21.com>

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.**⁹

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.¹⁰ The Rite-Aid Building has one known encumbrance: a \$2,655,000 interest-only loan with Wachovia Bank, which matured in June 2009, on which the Receiver has paid all interest. Parties interested in purchasing the Rite-Aid Building should contact:

Jim Hamilton
Director
Holliday Fenoglio Fowler, L.P.
3414 Peachtree Road, NE
Suite 736
Atlanta, GA 30326
Telephone: (404) 942-2212

C. Whitney Knoll
Senior Managing Director
Holliday Fenoglio Fowler, L.P.
3414 Peachtree Road, NE
Suite 736
Atlanta, GA 30326
Telephone: (404) 942-3192

⁹ 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.

¹⁰ 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.

Mobile: (404) 219-7383
Fax: (404) 942-2181
Email: jhamilton@hfflp.com

Mobile: (404) 664-4493
Fax: (404) 942-2181
Email: wknoll@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 “**EDS Building**”). This building was purchased for \$1,900,000 and is currently being leased to Electronic Data Systems (“**EDS**”), a technology services provider, for \$29,688.54 per month under a triple net lease. The EDS Building has no known encumbrances. Parties interested in purchasing the EDS 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

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 \$5,745.83 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 “**Gas Station**”). This gas station was purchased for \$2,450,000 and is currently being leased to a Shell Gas franchisee. The tenant defaulted on his lease, and an eviction proceeding has been filed against him. The Gas Station has no known encumbrances. There is presently a proposed transaction to sell this property.

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.) On June 14, 2004, Nadel and his wife purchased the Fairview Property for \$335,000.00. The Fairview Property was a secondary residence of the Nadels that is located in the mountains of North Carolina. 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. 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. 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 recently became 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”)¹¹ 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

¹¹ 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.

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

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”). These vehicles were used by Neil and Christopher Moody. The Mercedes and Volkswagen were leased by Valhalla Management. Because there was no value to these vehicles and only the continuing obligation of lease payments, the Receiver surrendered them to the leasing company without penalty and without the lessor retaining any claim to Receivership assets. The Maserati was leased by Viking Management. As with the Mercedes and Volkswagen, because there was no value to this vehicle and only the continuing obligation of lease payments, the Receiver surrendered the Maserati to the leasing company without penalty and without the lessor retaining any claim to Receivership assets.

Scoop Capital, LLC and Nadel’s wife also owned a 1998 Jeep Wrangler. Upon Mrs. Nadel executing a dealer’s reassignment of title, 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.¹²

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 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 is \$11,692.56. 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**").

Two Promissory Notes (Valhalla Investment Partners)

The Receiver has two promissory notes that were executed by Receivership Entity Valhalla Investment Partners, L.P., and Bonds.com. One of the notes is for \$400,000.00 with 9% interest secured by the domain name www.bonds.com. Bonds.com has paid all of the interest due on that note and recently made a \$100,000.00 payment on the principal. The

¹² Title to the Subaru is in the process of being transferred from the Venice Jet Center to Tradewind.

Receiver and Bonds.com are currently negotiating a repayment plan with a new principal balance of \$300,000 in a manner that is in the best interests of the Receivership.

The other note is for \$203,800.00; is due to mature on September 22, 2010; and is owing 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 one-million, five-hundred ninety-one thousand, three-hundred ninety-five (1,591,395) shares of stock in Bonds.com made in the name of Receivership Entity Valhalla Investment Partners, L.P. The shares are currently held in a brokerage account with Wells Fargo and are valued at \$620,644.05.

Stock and Promissory Note (Christopher D. Moody)

Christopher D. Moody had assets related to Bonds.com Group, Inc. ("**Bonds.com**"), as follows:

- 1) Three million, one hundred sixteen thousand, one hundred seventy-one (3,116,171) fully paid and non-assessable common shares of stock in Bonds.com; and
- 2) A secured convertible promissory note made by Bonds.com on September 22, 2008, in the amount of \$1,236,836, and a secured convertible promissory note made 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 Christopher D. 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 U.S. Securities and Exchange 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.

Along with Valhalla Investment Partners' shares, Christopher Moody's shares are currently held in a brokerage account with Wells Fargo. At the time Christopher Moody's shares were brought into Receivership, they were worth \$810,204.46. As of October 26, 2009, the value of the shares was \$1,215,306.00 (an increase in value of \$405,101.60).

Stock and Promissory Note (Neil V. Moody)

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

- 1) Two-million, forty-eight thousand, nine-hundred forty-six (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 six-hundred sixty-six thousand, six-hundred sixty-seven (666,667) shares of stock in Bonds.com.

The Receiver is in the process of acquiring Neil Moody's interest in Bonds.com.

Warrants, which give the holder rights to acquire more shares on a fully diluted basis, also were issued in conjunction with the Moodys' notes with Bonds.com. The Receiver is still investigating these grants of 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, 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 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. To date, the Receiver has discovered approximately \$39 million in such fictitious profits. The Receiver has spent substantial time identifying recipients of these fictitious profits and intends to proceed with recovering these fictitious profits to redistribute them more equitably among investors holding legitimate and allowed claims.

The Receiver has begun efforts to recover these funds. In April 2009, the Receiver sent letters to 85 investors, each of whom, according to the records in the Receiver's possession, made "fictitious profits" by receiving monies from Hedge Funds in an amount that exceeded his or her investments (the "**Profiteers**"). These 85 investors' total amount of fictitious profits is \$16,206,672.38. With the SEC's approval, the Receiver offered to settle with each of these 85 Profiteers for payment by the investor of 90% of his or her fictitious

profits. Collectively, if accepted and approved, these 85 settlements would yield \$14,586,005.14. As of October 30, 2009, the Court has approved fifteen (15) Profiteer settlements totaling \$1,566,090.85. With respect to these initial 85 letters, those who do not settle with the Receiver should anticipate that litigation will be commenced in the immediate future. Should those investors wish to resolve these claims, they should do so promptly. Once litigation is commenced, the opportunity to settle at a 90% discount will no longer be available.

In anticipation of initiating lawsuits, the Receiver filed a Motion to Reappoint Receiver (Doc. 139). That motion was granted on June 3, 2009. Except in situations where individuals had, or should have had, knowledge of the fraudulent investment scheme, or otherwise did not act in good faith, the Receiver will seek to recover fictitious profits but not the amount equivalent to the principal investment.

The Receiver continues to work to identify additional profiteers to recover the remaining \$22,793,327.62 (\$39 million in fictitious profits minus the \$16,206,672.38 in fictitious profits received by the 85 investors mentioned above) and intends to send settlement offers to additional profiteers in the near future.

E. Recovery of Assets from Christopher D. Moody and Neil V. Moody.

From the Receiver's investigation to date, it appears that a significant portion of activities of certain Hedge Funds were managed and directed by Christopher D. Moody and Neil V. Moody (the "**Moody's**"). 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 any assets of value owned by them, nor would they remove any such asset from the state of Florida without prior written notice to the Receiver. To date, the Moodys have cooperated with the Receiver to achieve an orderly turnover of assets. The following assets have been identified by the Receiver as having been funded with such proceeds.

1. Viking Oil's Interest in Quest EMG.

Through their control of Viking Oil, the Moodys had an investment with Quest EMG, an oil and gas venture. On July 15, 2009, the Receiver gained control of Viking Oil and its interest in Quest EMG. Please see discussion at Section V.A.7, above, for more details.

2. Moodys' Interest in Bonds.com.

The Moodys each had stock in and promissory notes from Bonds.com. Please see discussion above at Section V.C.3, above, for more details.

3. Queen's Wreath Jewels, Inc.

The Receiver's investigation, aided with the cooperation of the Moodys, revealed that the Moodys invested \$400,000 in Queen's Wreath Jewels, Inc. ("**Queen's Wreath**"), with each of the Moodys receiving a 20% interest in the company. The Moodys also made several loans to Queen's Wreath. The funds used to acquire the Moodys' ownership interest in Queen's Wreath and to make the loans were primarily transfers from Receivership Entities. On or about April 7, 2009, Queen's Wreath transferred ownership of the remaining jewelry to the Moodys in exchange for their interest in the company and in satisfaction of all

outstanding loans, with the understanding that Queen's Wreath would retain the jewelry on consignment.

On September 3, 2009, the Court granted the Receiver's motion (i) for possession of the jewelry and (ii) to enjoin a court proceeding brought by an investor, Louis Paolino, in which the state court had directed another receiver to hold possession of the jewelry. (Doc. 190; *see also Paolino v. Neil V. Moody and Christopher D. Moody*, Case No. 2009-ca-001876 (Cir. Ct. 12th Jud. Cir., Sarasota County, Fla.)) On September 8, 2009, the Court denied Paolino's motion for reconsideration of the order enjoining the state court proceeding. (Doc. 192.) The Receiver has possession of the jewelry. Bids have been secured from several potential purchasers. The Receiver anticipates selling this jewelry shortly and prior to sale, will seek the Court's approval.

* * *

The Moodys have a number of assets that would add significant value to the Receivership estate, including interest in other companies, houses, vehicles, boats, et cetera. These assets are being identified and transferred by the Moodys to the Receivership as part of an ongoing process.

F. Recovery of Fees from Recipients of Commissions.

Information available to the Receiver reveals that at least four individuals who, individually or through one or more entities, received commissions as "compensation" with respect to solicitation of investors in the Receivership Entities. In June and July 2009, the Receiver sent demand letters seeking to recover a total of \$7,616,331.72 in both commissions and false profits from these particular individuals and entities. The letters offered to settle for

the amount of commissions received without interest. To date, no settlements have been entered into with these individuals and entities. The Receiver is preparing to initiate lawsuits to recover this money for the benefit of the Receivership estate.

G. Other Litigation.

1. 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.

2. 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.). The Receiver does not believe H&K had any colorable basis for removing the action, and on or about October 7, 2009, he moved (i) to remand the action back to state court in Sarasota County and (ii) for an award of costs, expenses, and attorneys fees under 28 U.S.C. § 1447(c). *See id.*, Doc. 7. On November 16, 2009, the Court granted the Receiver's motion to remand. The case is again proceeding in state court.

3. 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. 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 will also assist 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.

VII. 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 the Receiver.

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.

During this process, the Receiver is also compiling and analyzing individual investor accounts. This is a necessary task to assess and administer investor claims. He will review and analyze all documents relating to each investment to determine the amounts owed, if any, to each investor. The Receiver does not expect to commence the claims process until 2010. The Receiver will provide a more definitive time estimate as his analysis progresses.

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

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

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

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 or call Jeffrey Rizzo at 813-347-5100.

Dated this 25th day of November, 2009.

Respectfully submitted,

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

CERTIFICATE OF SERVICE

I hereby certify that on November 25, 2009, 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

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**Standardized Fund Accounting Report
for Consolidated Nadel Entities - Cash Basis
Receivership; Civil Court Docket No. 8:09-cv-87-T-26TBM
Reporting Period 07/01/09 to 08/31/09**

Fund Accounting (See Instructions):		Detail	Subtotal	Grand Total
*Line 1	Beginning Balance (As of 07/01/09);			2,151,211.35
	Increases in Fund Balance:			
Line 2	Business Income	357,684.56		
Line 3	Cash and Securities	804.43		
Line 4	Interest/Dividend Income	18,472.76		
Line 5	Business Asset Liquidation	5,100.00		
Line 6	Personal Asset Liquidation	-		
Line 7	Third-Party Litigation Income	303,592.20		
Line 8	Miscellaneous - Other	-		
	Total Funds Available (Line 1-8)		685,053.95	2,153,965.30
	Decreases in Fund Balance:			
Line 9	Disbursements to Investors			
Line 10	Disbursements for Receivership In Operations	-		
Line 10a	Disbursements to Receiver or Other Professionals	429,358.57		
Line 10b	Business Asset Expenses	247,694.63		
Line 10c	Personal Asset Expenses	-		
Line 10d	Investment Expenses			
Line 10e	p			
	1. Attorney Fees			
	2. Litigation Expenses			
	Total Third-Party Litigation Expenses			
Line 10f	Tax Administrator Fees and Bonds			
Line 10g	Federal and State Tax Payments	2,190.13		
	Total Disbursements for Receivership Operations		\$679,243.33	\$679,243.33
Line 11	Disbursements for Distribution Expenses Paid by the Fund:			
Line 11a	Distribution Plan Development Expenses:			
	1. Fees:			
	Fund Administrator			
	Independent Distribution Consultant (IDC)			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Miscellaneous			
	Total Plan Development Expenses			

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



**Standardized Fund Accounting Report
for Consolidated Nadel Entities - Cash Basis
Receivership; Civil Court Docket No. 8:09-cv-87-T-26TBM
Reporting Period 07/01/09 to 08/31/09**

Fund Accounting (See Instructions):		Detail	Subtotal	Grand Total
Line 11b	Distribution Plan Implementation Expenses:			
	1. Fees:			
	Fund Administrator			
	IDC			
	Distribution Agent			
	Consultants			
	Legal Advisors			
	Tax Advisors			
	2. Administrative Expenses			
	3. Investor Identification:			
	Notice/Publishing Approved Plan			
	Claimant Identification			
	Claims Processing			
	Web Site Maintenance/Call Center			
	4. Fund Administrator Bond			
	5. Miscellaneous			
	6. Federal Account for Investor Restitution (FAIR) Reporting Expenses			
	Total Plan Implementation Expenses			
	Total Disbursements for Distribution Expenses Paid by the Fund			
Line 12	Disbursements to Court/Other:			
Line 12a	Investment Expenses/Court Registry Investment System (CRIS) Fees			
Line 12b	Federal Tax Payments			
	Total Disbursements to Court/Other:			
	Total Funds Disbursed (Lines 9, 11)			879,248.38
Line 13	Ending Balance (As of 08/31/09)			2,157,621.97
Line 14	Ending Balance of Fund - Net Assets:			2,157,621.97
Line 14a	Cash & Cash Equivalents			2,157,621.97
Line 14b	Investments			
Line 14c	Other Assets or Uncleared Funds			
	Total Ending Balance of Fund - Net Assets			2,157,621.97