

**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.

THE RECEIVER'S FIFTH INTERIM REPORT

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

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EXHIBIT 3

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INTRODUCTION

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

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

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

The Receiver was appointed on January 21, 2009. By January 26, 2009, the Receiver established an informational website, www.nadelreceivership.com. The Receiver has

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

updated this website periodically and continues to update it with the Receiver's most significant actions to date; important court filings in this proceeding; and other news that might be of interest to the public. This Report, as well as all previous and subsequent reports, will be posted on the Receiver's website.²

BACKGROUND

I. Procedure and Chronology.

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

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

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

million from Viking IRA Fund and Valhalla Investment Partners to secret bank accounts. The Court found the Commission demonstrated a *prima facie* case that Defendants committed multiple violations of federal securities laws.

On that same day, on the SEC's motion, the Court entered (i) an Order of Preliminary Injunction and Other Relief as to the Investment Managers and all Relief Defendants (Doc. 7) and (ii) a Temporary Restraining Order and Other Emergency Relief as to Nadel (the "**Nadel TRO**") (Doc. 9). Among other things, these orders enjoined the Defendants and Relief Defendants from further violations of federal securities laws and froze their assets. On February 3, 2009, the Court entered an Order of Preliminary Injunction and Other Relief as to Nadel (the "**Nadel Preliminary Injunction**") (Doc. 29), the terms of which are essentially identical to those of the Nadel TRO.³

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

January 27, 2009 (Doc. 17)	Venice Jet Center, LLC Tradewind, LLC
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³ Both the Nadel TRO and the Nadel Preliminary Injunction required Nadel to make a sworn accounting to the Court and the Commission of all funds received by him from any of the Defendants or Relief Defendants and a sworn identification of all accounts in which he has an interest or has the power or right to exercise control. (Docs. 9, 29.) In response to these Orders, on March 31, 2009, Nadel submitted a letter asserting his Fifth Amendment right against self-incrimination and refused to provide this information. (Doc. 102.)

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

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

On January 27, 2009, Nadel surrendered to the FBI in Tampa, Florida. Nadel was arrested and charged with two counts of securities fraud and wire fraud based on the fraudulent investment scheme discussed herein. On January 30, 2009, Magistrate Judge Mark Pizzo of the United States District Court for the Middle District of Florida denied Nadel’s request for a release on bond awaiting trial, deciding instead that Nadel should remain in jail based on, among other things, a risk of flight. On or about February 2, 2009, Judge Pizzo entered a Detention Order denying bail and a Removal Order requiring that

Nadel be transferred to the Metropolitan Correctional Center in New York, New York to await trial. *U.S. v. Nadel*, Case No. 8:09-mj-01039 M.D. Fla. (Docs. 5, 6).

On February 26, 2009, Judge Denise Cote of the United States District Court for the Southern District of New York agreed to release Nadel on \$5 million bail, contingent on a number of conditions including \$1 million in cash, living restrictions, and specific bond guarantees. Judge Cote also required Nadel to fully and completely cooperate with the Commission. On April 28, 2009, Nadel was indicted on six counts of securities fraud, one count of mail fraud, and eight counts of wire fraud. The maximum sentence for each charge is 20 years of imprisonment. On April 30, 2009, Nadel pleaded not guilty to the fifteen charges.

In June 2009, Nadel sought a reduction of bail. Judge John G. Koeltl agreed to remove the \$1 million cash security and instead imposed a \$1 million personal recognizance bond, requiring Nadel to find four financially sound co-signers. On or about September 24, 2009, Nadel sought another modification of bail conditions. (*See U.S. v. Nadel*, Doc. 38.) On October 23, 2009, following a hearing, Judge Koeltl denied Nadel's application for modification of conditions of release.

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

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

In the Commission Proceeding, on April 6, 2009, Nadel filed his answer and affirmative defenses, in which he denied nearly every allegation in the Complaint and set forth two affirmative defenses. (Doc. 104.) Nadel also purported to set forth a “Counterclaim,” which the Court struck on the Receiver’s motion. (Docs. 111, 112.)

II. The Receiver’s Role and Responsibilities.

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

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

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

A. Operating the Business of the Receivership Entities.

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

B. Taking Possession of Receivership Property.

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

C. Investigating Receivership Affairs and Recovering Funds.

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

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

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

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

III. Overview of Findings To Date.

The Receiver continues the process of reviewing voluminous records from the offices of Receivership Entities, as well as records from more than thirty (30) different institutions, including banks and brokerage firms. The Receiver has formed conclusions based on his review of a substantial portion of the records received. While these conclusions may change as the review becomes more complete, the Receiver does not believe any changes would be material.

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

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

A. The Ponzi Scheme.

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

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

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

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

B. Fictitious Trading Results.

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

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

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

Table 1, below, shows a comparison of actual trading results in the Hedge Funds' Goldman Sachs accounts to the values represented to investors and to distributions paid. Specifically, for each year from 2003 to 2008, the table lists from, left to right, (1) the pertinent year; (2) the amount of gains the Investment Managers represented that the Hedge Funds had achieved that year; (3) the actual combined total gain or loss experienced that year in the accounts for the Hedge Funds, per statements from Goldman Sachs; (4) the difference between what the Investment Managers represented the Hedge Funds had achieved in performance versus the actual trading results in the Goldman Sachs accounts for the Hedge Funds (identified as "Difference"); and (5) the actual distributions paid by the Hedge Funds

for the pertinent year, including distributions to investors and management and performance incentive fees paid.

Table 1: Gains/(Losses)

Year	Investment Managers' Represented Gains (\$)	Hedge Funds Actual Amounts(\$)	Difference (\$)	Distributions (\$)
2003	23,716,749	17,237,008	6,479,741	16,729,147
2004	46,950,345	4,637,878	42,312,467	49,329,387
2005	61,169,058	5,739,301	55,429,756	75,078,840
2006	50,003,778	(18,549,355)	68,553,133	75,444,122
2007	54,665,571	(24,989,307)	79,654,879	60,034,321
2008	36,334,794	(2,493,654)	38,828,448	73,443,310
Total	272,840,295	(18,418,129)	291,258,424	350,059,127

As Table 1 shows, for 2003 through 2008, the Hedge Funds' performance as represented to investors was significantly overstated and thus, false. Specifically, for the years 2003 to 2008, the Investment Managers represented that the Hedge Funds' trading activity generated more than \$272 million in gains when, in reality, the Hedge Funds' investment accounts actually lost approximately \$18.4 million. Further, while the Hedge Funds lost approximately \$18.4 million for this same period, more than \$350 million was paid by the Investment Managers in distributions to investors and to themselves and others as fees. As this table shows, from at least 2003 through 2008, the Investment Managers were making distributions and paying fees that the investment performance of the Hedge Funds never supported.

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

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

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

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

C. Depletion of the Hedge Funds’ Assets.

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

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

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

Year	Management Fees	Performance Incentive Fees	Total Fees
2003	1,521,377	5,929,187	7,450,565
2004	3,644,188	11,737,586	15,381,774
2005	5,057,633	15,292,264	20,349,897
2006	5,756,646	12,500,945	18,257,590
2007	6,206,972	13,666,393	19,873,365
2008	6,771,232	9,083,698	15,854,931
Total	28,958,048	68,210,074	97,168,122

Significant sums from the proceeds of Nadel's scheme also made their way into other accounts controlled by Nadel and/or his wife, Marguerite "Peg" Nadel. As of December 31, 2008, according to the balance sheet for Scoop Management, Scoop Management had transferred approximately \$17,177,896.56 to accounts owned either individually or jointly by the Nadels. These amounts are in addition to the amounts Mrs. Nadel received from Scoop Management as compensation. According to its balance sheet, Scoop Management also transferred approximately \$6,433,804.40 to other entities controlled by Nadel. To date, the Receiver has not uncovered any source of income for Nadel or his wife (during the time of Nadel's scheme) that was not in some manner funded with money from that scheme.

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

D. Investor Losses and “False Profits.”

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

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

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

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

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

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

Table 3: Fund Performance as Represented in Executive Summaries

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

* Results are for an incomplete year.

While Nadel did trade in quadruple-Qs, he did not achieve for the Hedge Funds the amount of returns he represented to investors. Rather, based on the documents the Receiver’s financial expert has analyzed to date, the Hedge Funds as a whole lost significant sums.

Between 2002 and 2008, the highest annualized rate of return Nadel appears to have achieved was approximately 4%, while the rest of the Hedge Funds experienced annualized

⁵ The term “Quadruple Qs” (ticker symbol: QQQQ) refers to the NASDAQ-100 Tracking Stock, an exchange-traded fund (“ETF”) listed on the NASDAQ intended to track the NASDAQ index.

returns of -16.70% to -33.25%. In short, Nadel was losing significant sums of money while representing that he was achieving annual returns for most years between 20% and 30%. Although these actual performance numbers demonstrate the disparity between what Nadel and others were claiming the Hedge Funds were achieving and the returns the Hedge Funds were actually achieving, the performance of each individual Hedge Fund is not significant because it appears that Nadel arbitrarily allocated daily results of trading transactions among the Hedge Funds. He also transferred money among the Hedge Funds using “shadow” bank accounts.

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

As shown in **Table 5**, below, while the Hedge Funds' accounts experienced losses, all but one of Nadel's personal accounts and other accounts maintained essentially for the benefit of Nadel and Nadel's Accounts experienced significant gains.

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

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

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

ACTIONS TAKEN BY THE RECEIVER

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

IV. Securing the Receivership Estate.

A. Taking Possession of Defendants' Headquarters.

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

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

B. Securing Receivership Funds.

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

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

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

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

Thus, total cash at the inception of the Receivership and as the Receivership was expanded to include each additional Receivership Entity indicated was approximately \$1,186,508.80.⁶

Upon his appointment, the Receiver was initially concerned that the Receivership Entities might hold positions in volatile securities that would require an exit strategy to avoid or minimize losses. The Receiver immediately investigated the nature of the Receivership's

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

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

The Receiver coordinated with the Commission to move swiftly to freeze all funds of which they were aware. The Receiver and his attorneys engaged in a preliminary review of documents and other information for the purpose of identifying institutions that potentially held relevant financial accounts or lines of credit. The Receiver immediately forwarded copies of the asset freeze orders to the pertinent institutions and confirmed that they understood their obligations under the freeze orders.

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

C. Locating Additional Funds.

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

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

D. Receivership Accounting Report.

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

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

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

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

E. Obtaining Information from Third Parties.

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

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

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

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

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

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

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

V. Asset Analysis and Recovery.

A. Expansion of Receivership to Include Additional Entities.

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

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

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

1. Venice Jet Center, LLC.

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

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

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

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

Part 16 Complaint Against City of Venice

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

2. Tradewind, LLC.

Tradewind, LLC (“**Tradewind**”) was formed in Delaware in January 2004 and registered for the first time in Florida in March 2008. Nadel was Tradewind’s managing member and registered agent, and its principal address is the Office. Tradewind owned and controlled five planes and one helicopter and owns 31 hangars at the Newnan-Coweta County Airport in Georgia (the “**Georgia Hangars**”). The Receiver’s investigation revealed that Tradewind was funded with money from Nadel’s scheme. Tradewind is a viable business with potential to generate assets for the Receivership estate.

On January 27, 2009, the Court expanded the Receivership to include Tradewind. Tradewind is a fully operating business. Since the Receiver’s appointment as Receiver of Tradewind, he has taken control of it and is continuing to operate the business. Tradewind collects approximately \$20,000 in monthly rent and incurs varying monthly expenses, which include land rent, loan payments, and various utilities. The Receiver is entertaining offers to purchase this business or any of its assets.

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

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

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

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

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

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

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

Office” address was a home in Fairview, North Carolina titled in the names of Nadel and his wife. Although Laurel Preserve’s 2006 Operating Agreement identifies Nadel and his wife as members of Laurel Preserve with each having made a “capital contribution” of \$750, the Laurel Preserve 2007 federal income tax return identifies Scoop Capital as owner of 100% of Laurel Preserve. The Laurel Mountain Preserve Homeowners Association, Inc. (the “HOA”), is a North Carolina non-profit corporation formed in March 2006. Nadel was the HOA’s registered agent, and its principal address was the Fairview, North Carolina home.

Documentation reviewed and information obtained by the Receiver shows that Laurel Preserve holds title to approximately 420 acres near Asheville, North Carolina in Buncombe and McDowell counties, intended for development of home-sites (the “**Laurel Mountain Property**”). The Laurel Mountain Property originally was purchased by Laurel Mountain in 2003 and then “sold” to Laurel Preserve in February 2006. Laurel Mountain provided financing for that purchase in the form of a \$2,900,000 loan to Laurel Preserve. According to documentation retrieved from the Office, Laurel Mountain and Laurel Preserve received significant funding from Scoop Capital, Scoop Management, Tradewind, Nadel and Mrs. Nadel and BB&T Bank.

On February 11, 2009, the Court expanded the Receivership to include Laurel Mountain, Laurel Preserve, and the HOA. Since the Receiver’s appointment as Receiver of these entities, he has taken control of them and is working on marketing for sale the Laurel Mountain Property. This property currently does not generate any income. The Laurel Mountain Property encompasses 29 lots, including 23 estate-sized and 6 cottage-sized lots. There is also a cabin home on this property that, according to the Buncombe County Property

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

The Laurel Mountain Property has three known encumbrances. The first encumbrance is a \$360,157.37 loan from BB&T Bank. The second encumbrance is a \$1,900,000 interest only loan from Wachovia Bank. There is a monthly payment of \$5,149.66 due on this latter loan and the Receiver presently is not making payments on this loan. The third encumbrance is an easement of approximately 169 acres of the Laurel Mountain Property, which was granted to a land conservancy in 2005 (the "**Easement**"). It appears that this donation was made in part for the Nadels' own tax benefit. The Receiver determined that it would be in the best interests of the Receivership to recover this Easement from the conservancy as it may generate an exponential increase in the value of the full acreage.

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

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

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

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

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

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

5. Guy-Nadel Foundation, Inc.

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

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

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

North Carolina Parcels

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

Thomasville, Georgia Parcels

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

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

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

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

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

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

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

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

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

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