Securities and Exchange Commission v. Nadel et al Doc. 645 Att. 3

EXHIBIT 3

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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 EIGHTH INTERIM REPORT

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

Gianluca Morello, FBN 034997
Michael S. Lamont, FBN 527122
Maya M. Lockwood, FBN 0175481
WIAND GUERRA KING P.L.
3000 Bayport Drive
Suite 600
Tampa, FL 33607
T: (813) 347-5100
F: (813) 347-5198

Attorneys for Receiver, Burton W. Wiand

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INTRODUCTION

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

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

[1] Unless otherwise indicated, the information reported herein reflects the information in the Receiver's possession as of December 31, 2010.

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

Overview of Significant Activities During this Reporting Period

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

- Continued to pursue litigation for (1) the recovery of false profits from investors (i.e., from "Profiteers"); (2) the recovery of distributions from Receivership Entities to Neil and Sharon Moody, Donald and Joyce Rowe, and certain of their affiliated entities; (3) the recovery of other distributions, such as commissions, from other individuals and/or entities; and (4) the recovery of certain charitable contributions made with scheme proceeds;

- Reached **22** settlements for a total sum of **$2,422,338.22** and engaged in efforts that led to the settlement of eleven additional cases as of March 10, 2011, for a further amount of $2,143,238.29. As of December 31, 2010, the Receiver had reached agreements to settle with 98 Profiteers for a total amount of $14,131,707.69. As of March 10, 2011, the Receiver has reached agreements to settle with **109** Profiteers for a total amount of **$16,274,945.98**;

- Maintained Receivership funds in appropriate accounts and certificates of deposit ("CDs"). As of March 14, 2011, the total funds in all Receivership accounts, including CDs, are approximately **$18,599,540.66**;

- Filed the appropriate federal tax forms on behalf of Chris Moody, Neil Moody, Marguerite Nadel, and Sharon Moody seeking refunds in the total amount of approximately **$3,737,243**;

- Successfully recovered **$417,964** in federal tax refunds issued for Sharon Moody for the years 2004 through 2007;

- Acquired possession of real property in Evergreen, Colorado and other miscellaneous items including jewelry, furnishings and antiques as a result of the Receiver's settlement with Sharon Moody;

- Obtained ownership through foreclosure and a judicial sale of a condominium located on North Jefferson Avenue in Sarasota, Florida;

- Continued to operate ongoing businesses, and where possible, enhance the value of those businesses resulting in the generation of more than $168,421.14 in gross business income;

- Generated $70,651.61 in interest/dividend income; $2,363,610.06 in third-party litigation income; and $417,964.00 in other income;

- Entered into an agreement in principle with Neil Moody wherein he agreed to cooperate with the Receiver to effect the orderly transfer of all of his assets and to provide assistance, as necessary, in connection with the Receiver's efforts to recover monies from third parties;

- Worked on recovering assets in the possession of Neil Moody;

- Sold a 1978 Cessna 152 Aircraft for $9,000;

- Pursued the Receiver's malpractice action against Holland & Knight, LLP, including successfully overcoming motions to dismiss; the complaint seeks to recover as much as possible of the approximately $168 million of out-of-pocket losses suffered by investors and trial is expected to occur after November 1, 2011; and

- Continued work on the claims process, including the review and analysis of more than 500 Proof of Claim Forms.

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

BACKGROUND

I. Procedure and Chronology.

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

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

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

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

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

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

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

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

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

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

II. <u>The Receiver's Role and Responsibilities.</u>

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

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

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

A. Operating the Business of the Receivership Entities.

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

B. Taking Possession of Receivership Property.

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

C. Investigating Receivership Affairs and Recovering Funds.

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

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

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

III. <u>Overview of Findings To Date.</u>

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

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

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

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

A. The Ponzi Scheme.

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

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

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

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

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

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

B. Fictitious Trading Results.

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

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

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

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

Table 1: Gains/(Losses)

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

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

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

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

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

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

C. Depletion of the Hedge Funds' Assets.

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

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

Year	Management Fees	Performance Incentive Fees	Total Fees
2001	721,728	124,723	846,451
2002	721,906	1,061,285	1,783,191
2003	997,967	3,440,759	4,438,726
2004	3,279,751	7,214,560	10,494,311
2005	4,784,428	12,869,824	17,654,252
2006	6,330,654	14,938,134	21,268,788
2007	6,369,072	14,238,590	20,607,662
2008	6,972,969	13,660,088	20,633,057
Total	**30,178,475**	**67,547,963**	**97,726,438**

Significant sums from the proceeds of Nadel's scheme also made their way into other accounts controlled by Nadel and/or his wife, Marguerite "Peg" Nadel. As of December 31, 2008, according to the balance sheet for Scoop Management, Scoop Management had transferred approximately $17,177,896.56 to accounts owned either individually or jointly by the Nadels. These amounts are in addition to the amounts Mrs. Nadel received from Scoop

Management as compensation. According to its balance sheet, Scoop Management also transferred approximately $6,433,804.40 to other entities controlled by Nadel. During the time the Hedge Funds operated, neither Nadel nor his wife had any source of income that was not in some manner funded with money from that scheme.

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

D. Investor Losses and "False Profits."

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

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

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

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

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

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

[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.

Table 3: Fund Performance as Represented in Executive Summaries

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

* Results are for an incomplete year.

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

Table 4: Actual Hedge Fund Performance

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

* Results are for an incomplete year.

A comparison of **Table 3** and **Table 4** demonstrates the disparity between what Nadel and others were claiming the Hedge Funds were achieving and the returns the Hedge Funds were actually achieving. For instance, in 2000, Nadel claimed that Valhalla Investment Partners achieved a 55.12% return where in reality it had lost 91.24%. Although these Tables demonstrate the disparities by Hedge Fund, the performance of each individual Hedge Fund is not significant because Nadel arbitrarily allocated daily results of trading transactions among the Hedge Funds. He also transferred money among the Hedge Funds using "shadow" bank accounts. This activity resulted in the commingling of the Hedge Funds' assets and makes the performance results of each individual Hedge Fund immaterial. In short, Nadel was losing significant sums of money while representing that he was achieving annual returns from 18.93% to 55.12% (for years with full activity).

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 Hedge Funds.

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. For instance, from inception through 2008, Scoop Capital's accounts experienced gains of $11,331,464, representing a 413.17% rate of return. 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 and sold the office furniture and other items for $3,500.00.

The Receiver removed documents, several servers, and other 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]

During the time covered by this Interim Report, all Receivership funds were held at (1) Northern Trust Bank, N.A. in four CDs with a yield of 1.25%; (2) Bay Cities Bank in six CDs with a yield of 1.98%, a non-interest bearing operating account, and a variable interest rate money market account; and (3) Whitney Bank in a money market account with interest of approximately 1.00%. As of March 14, 2011, the total funds in all Receivership accounts, including CDs, are approximately $18,599,540.66. The Receiver continues to review the appropriate action to take with respect to Receivership funds in light of the current state of the economy and financial institutions. If appropriate and in the best interests of the Receivership, he will move the funds into other 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

[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.

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.

1. Recovery of Tax Refunds

The Receiver is working on obtaining tax refunds owed to certain insiders based upon taxes paid in prior years on nonexistent trading profits, periodic taxes paid on anticipated income that was never earned, and/or overpayment of taxes as a result of loss of investment. On or about October 13, 2010, the Receiver filed a Form 1045 Application for Tentative Refund ("**Form 1045**") for a carryback loss on behalf of the following individuals: (1) Chris Moody, seeking a refund of approximately $800,000; (2) Neil Moody, seeking a refund of $120,685; (3) Marguerite Nadel, seeking a refund of $2,398,594; and (4) Sharon Moody, seeking a refund of $417,964.

Through the date of filing of this Interim Report, the Receiver has recovered a total sum of $1,293,866.64 in tax refunds from these applications. Specifically, on January 18, 2011, the Receiver received two refund checks for Chris Moody in the amounts of $578,355.64 and $297,547.00, totaling $875,902.64. In November and December of 2010, the Receiver received four separate refund checks for Sharon Moody for the years 2004 through 2007. The four checks totaled $417,964 which was the amount sought in the Form 1045. The Receiver has not yet received any tax refunds for Neil Moody or Mrs. Nadel from the filing of the Form 1045s.

The Receiver intends to file a Form 1045 on behalf of Art Nadel seeking the return of approximately $1,183,525.

Also, in or about July 2010, the Receiver learned that Mrs. Nadel, with the assistance of the Nadels' accountant Michael Zucker, improperly filed documents with the IRS on behalf of a Receivership Entity and had possession of two tax refund checks in the amounts of $588,956.17 and $672,403.16. After the Receiver filed a motion to obtain possession of these refund checks (Doc. 434), Mrs. Nadel delivered the two checks to the Receiver. Accordingly, the Court entered an order denying the aforementioned motion as moot (Doc. 439). The Receiver has deposited the total sum of $1,261,359.33 from these refund checks into the Receivership's accounts.

The Receiver will continue to diligently investigate the existence of any additional funds and will inform the Court and investors if any are located.

D. Receivership Accounting Report.

Attached as composite **Exhibit A** to this Interim Report is a cash accounting report showing the amount of money on hand as of October 1, 2010 less operating expenses plus revenue through December 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 the accounting report. From October 1, 2010, through December 31, 2010, the Receiver received $168,421.14 in business income from ongoing operations of some

Receivership Entities;[7] $70,651.61 in interest/dividend income; $2,363,610.06 in third-party litigation income; and $417,964.00 in other income.[8] (Ex. A.).

Since the inception of the Receivership through December 31, 2010, the Receiver received $3,369,900.69 in business income from ongoing operations of some Receivership Entities; $2,066,501.32 in cash and securities; $358,940.31 in interest/dividend income; $2,339,211.93 in business asset liquidation; $120,000 in personal asset liquidation; $12,398,701.15 in third-party litigation income; and $2,150,203.69 in other income.[9]

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 significant number of people associated with Nadel and/or the Receivership Entities. Further, on September 9, 2010, the Receiver deposed Peg Nadel and on February 4, 2011, the Receiver deposed Joyce Rowe.

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

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

[8] The "other income" includes: $417,964 recovered from Sharon Moody's IRS tax refund for the years 2004 through 2007.

[9] 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.

and other third parties, including lawyers and others who assisted Nadel's businesses with their transactions; and information available in the public record.

In connection with the Commission Proceeding, the Receiver has sought documents from Donald H. Rowe ("**Rowe**") and from financial institutions where Rowe and his related entities maintained accounts. Rowe has made repeated efforts to prevent and/or limit the Receiver's requested productions. These efforts include the filing of two motions to quash and three motions for protective order in the Commission Proceeding (*See* Motions to Quash, Docs. 416 and 541; Motions for Protective Order, Docs. 250, 479, and 544). Rowe also filed one motion for protective order in the lawsuit against him and others. (*See* Motion for Protective Order, Doc. 16.) (The lawsuit against Rowe is discussed below in Section V.E.2.b.) All of the motions were denied and Rowe and the pertinent financial institutions have produced documents. (*See* Orders Docs. 267, 424, 481, 542, and 569 in the Commission Proceeding and Doc. 17 in the lawsuit against Rowe.)

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; Home Front Homes, LLC; and Traders Investment Club. Along with Summer Place Development Corporation, these

entities will hereinafter be referred to collectively as the "**Additional Entities.**"[10] 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 was 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 that included a flight school, fueling service, hangar rentals, and a café. On January 20, 2010, the Court approved the sale of the VJC's assets and

[10] 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.

an agreement with Northern Trust (Motion, Doc. 254; Order, Doc. 321.) In pertinent part, VJC's assets were sold to Tristate Aviation Group of Florida LLC for (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 of Venice, including the Part 16 Complaint. For more information, please refer to prior Interim Reports.

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 was 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 fully operating business with potential to generate assets for the Receivership estate.

On January 27, 2009, the Court expanded the Receivership to include Tradewind. 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 $912,334.82 (as of February 2011), 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 the aircraft:

Model	Year	Type of Aircraft	Known Encumbrance	Action Taken by Receiver
Piper PA-28/140	1971	Airplane	None.	Sold for $27,500 (Doc. 433)
Cessna 152	1978	Airplane	None.	Sold for $9,000 (Doc. 581)[11]
Baron	1977	Airplane	None.	Sold for $65,000 (Doc. 491)
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)

[11] The Receiver filed his motion for sale of the Cessna 152 Aircraft on December 16, 2010 (Doc. 580). The Court entered an order granting the Receiver's motion in its entirety on the same day (Doc. 581). The buyer provided the Receiver with a $1,000 deposit and paid the balance soon after the Court's approval of the sale.

Model	Year	Type of Aircraft	Known Encumbrance	Action Taken by Receiver
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)

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 was 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 was the Office. 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**").

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. There is a monthly payment of $5,149.66 due on this latter loan and the Receiver presently is not making the loan payments. 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 an ancillary civil proceeding against the Carolina Mountain Land Conservancy ("the **Conservancy**") to extinguish the Easement on December 1, 2009. *Burton W. Wiand, as Receiver v. Carolina Mountain Land Conservancy*, M.D. Fla. Case No. 8:09-cv-2443-T-27TBM ("**Conservancy Action**"). On May 21, 2010, the Receiver filed an Amended Complaint seeking to extinguish the easement, or alternatively, recover from the Conservancy a sum of money equal to the greater of the value of the property that is subject to the Easement or the diminution in value to the Laurel Mountain Property as a result of the

Easement. (Conservancy Action, Doc. 10.) The Amended Complaint also seeks the recovery of all contributions made by the Receivership Entities to the Conservancy because the contributions were made with proceeds of Nadel's scheme and were fraudulent transfers. On June 10, 2010, the Conservancy filed its Answer and Affirmative Defenses. (Conservancy Action, Doc. 11.) On January 11, 2011, the Court entered an order scheduling, among other things, the trial term for August 1, 2011. (Conservancy Action, Doc. 21.) The parties mediated this matter on January 6, 2011, have reached an agreement in principle to resolve this matter, and are in the process of finalizing the settlement papers.

For more information regarding the Laurel Mountain Property, please visit http://www.laurelmountainpreserve.com. Parties interested in purchasing this property should contact:

John La Rocca
J. Rex Thomas
John Linderman
Thomas Linderman Graham
1511 Sunday Drive, Suite 200
Raleigh, NC 27607
Office: (919) 785-3434
Fax: (919) 785-0802
Email: john.larocca@tlgcre.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." The Foundation was funded with proceeds of Nadel's scheme. 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 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. Further, one of the tolling agreements expired and the charity refused to extend the agreement. Accordingly, the Receiver had no choice but to initiate an action against this charity as well. (*See* discussion of litigation at Section V.E.4 below.)

On May 19, 2010, the Receiver sent letters to the charities with tolling agreements requesting an accounting of funds, a current financial statement, and an explanation of any mitigating factors the charity wished the Receiver to consider. The letter requested that the

foregoing information be provided by June 11, 2010. All of the charities have now responded to the letter. After reviewing the information submitted, on September 8, 2010, the Receiver sent further correspondence to the charities indicating that if the charities do not engage in meaningful settlement discussions, he will initiate lawsuits against them. As a result of the September letter, the Receiver has scheduled two mediations for March 18 and May 27, 2011 and is arranging the mediation of two others. The Receiver would like to informally resolve these matters without the need for filing suit.

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 is 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 2010 tax valuation of $34,745, and the second lot (located on Church Street) has a 2010 tax

valuation of $4,276. Parties interested in purchasing these parcels should contact the Receiver directly.

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 planned to close the business. In lieu of closing the business, the Receiver is allowing the former manager of the flower shop to continue the flower shop's operations. The Receiver is presently attempting to negotiate a resolution of the obligations relating to the Lime Building.

The Receiver also took possession and control of two vans owned by Lime: a 1999 Ford van and a 2003 Dodge van. The Receiver sold these vans for $500 and $2,000, respectively.

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 was 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 hired a forensic accountant, Otto L. Wheeler, CPA/ABV, to assist with further examination of Quest EMG and the Receivership's interest therein. Mr. Wheeler has identified various issues that are now the subject of further inquiry. Quest principals have cooperated in the production of additional

documents and disclosures and have also attempted to advance settlement discussions. Written discovery and depositions are expected to take place in the spring.

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. 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. On August 10, 2009, the Court expanded the Receivership to include Home Front Homes. (Doc. 170.)

On January 6, 2010, the Court granted the Receiver's motion to sell certain of Home Front Homes' assets and approve an agreement with M&I Bank in its entirety. (*See* Jan. 6, 2010, Order, Doc. 293; Motion, Doc. 291.) In salient part, (1) South American Development Corporation ("SADC") agreed to purchase certain assets for $250,000, with $150,000 to be paid at closing and a zero interest promissory note secured by the assets due December 18, 2010 for the $100,000 balance[12] and (2) M&I agreed to waive over $3,000,000 in debt obligations and forego any deficiency claims against the Receivership estate in exchange for 65% of the cash and note proceeds after $12,000 has first been paid to the Receiver for

[12] SADC is currently in default on the note. The Receiver is attempting to secure payment of the note. If he is unsuccessful, the Receiver will seek the appropriate relief.

expenses incurred. As a result of this agreement, the Receiver will gain over $95,000 from the sale of Home Front Homes' assets and alleviate over $3,000,000 of debt obligations.[13]

After the sale of certain of Home Front Homes' assets, Home Front Homes continued to own a parcel of real property located at 512 Paul Morris Drive, Englewood, Florida 34223, Lot 81 of the Morris Industrial Park. The Receiver determined that it was in the best interests of the Receivership to convey this property to William Bishop, as Trustee of the William F. Bishop Revocable Trust in exchange for the release of all claims against the Receivership estate. For more information regarding Home Front Homes and related litigation, please refer to prior Interim Reports.

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 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.

[13] The Receiver sold, or otherwise disposed of several assets that were not included in the asset purchase agreement discussed above for a total amount of $7,600. These assets included a pick-up truck, two small free standing storage structures, and a telephone system.

Summer Place is an operating business and owns a 6-acre parcel in Bradenton, Florida. The owners originally intended to build thirty 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 most beneficial to the Receivership estate. Parties interested in marketing or purchasing Scoop Capital's interest in this business should contact the Receiver directly.

10. Traders Investment Club.

Traders was a Florida partnership formed in December 1998 to operate as a purported "investment club." Nadel controlled Traders and purported to buy and sell securities on its behalf in an effort to generate trading profits. Records in the Receiver's possession show that Traders was in existence until December 2005. During its existence, Traders had approximately 35 different investors most of whom were also simultaneously investors in the Hedge Funds. Aside from raising money for Traders from investors, the Receiver's investigation revealed that Nadel funded Traders with unlawful transfers from the Hedge Funds.

Nadel purported to close Traders in 2005 by distributing supposed "principal and trading gains" directly to investors or to the Hedge Funds as purported "roll-overs" into the pertinent investors' Hedge Fund "accounts." Further, representations Nadel made to Traders' investors regarding investment performance were grossly overstated. Because of the commingling of funds between Traders and the Receivership Entities and the fraud perpetrated by Nadel through his control of all of these entities, the Receiver sought the

expansion of the Receivership to include Traders. (See Motion to Expand Receivership to Include Traders, Aug. 9, 2010, Doc. 453.) On August 9, 2010, the Court expanded the Receivership to include Traders (Doc. 454).

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 continue to be 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 obtained possession and control of approximately 14 acres in Thomasville, Georgia (the "**Thomasville Property**") which encompassed 45 lots, 44 of which were undeveloped. The Thomasville Property was purchased on January 5, 2007 for $285,000 with proceeds from Nadel's scheme. The Thomasville Property was heavily encumbered with debt in excess of $759,000 owed to Thomasville National Bank ("**TNB**") as of February 23, 2010.

The Receiver was able to sell the Thomasville Property for $725,000 which he believed fairly represented the market value of the property. Because the purchase price was insufficient to satisfy the outstanding liens on the property, the Receiver reached an

agreement with TNB wherein TNB agreed to accept the purchase price less commissions in exchange for the full settlement of all amounts owed under the loans and the waiver of all claims against the Receivership estate. On February 26, 2010, the Court approved the sale of the Thomasville Property and Agreement with TNB as provided in the motion submitted by the Receiver. (Motion, Doc. 350; Order, Doc. 352.) The Receiver believes that the disposition of the property as described above was in the best interests of the Receivership. For more information regarding the Thomasville Property and the terms of its sale, please refer to prior Interim Reports.

2. Grady County, Georgia.

The Receiver is in possession of approximately 33 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 2010 was $151,125. The Receiver is currently determining the best course of action to take regarding this land. The Receiver has received offers for the purchase of this property, but he believes those offers are below the property's fair market value. Parties interested in marketing or purchasing the Grady Property should contact the Receiver directly.

3. Graham, North Carolina.

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. The Rite-Aid Building has one known encumbrance: a $2,655,000 interest-only loan with Wachovia Bank, which matured in June 2009. The Receiver paid

interest on this loan through October 2009. He currently is not making any payments on this loan. The Receiver had reached an agreement in principle to sell the Rite-Aid Building. The parties, however, were unable to reach a final agreement. The Receiver has reached another agreement in principle to sell the Rite-Aid Building. This sale has not yet closed and the Receiver is still accepting offers. 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
Fax: (404) 942-2181
Email: jhamilton@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 "**Waters Edge Building**"). This building was purchased for $1,900,000 and was leased to Electronic Data Systems ("**EDS**"), a technology services provider, for $29,688.54 per month. EDS' lease term ended January 2010 and EDS did not renew its lease. The Receiver is working on reletting this property. The Waters Edge Building has no known encumbrances. Parties interested in purchasing or leasing the Waters Edge Building should contact:

John La Rocca
J. Rex Thomas, John Linderman
Thomas Linderman Graham
1511 Sunday Drive, Suite 200
Raleigh, NC 27607
Office: (919) 785-3434
Fax: (919) 785-0802
Email: john.larocca@tlgcre.com

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 currently is being leased to Starbucks (Store #8809) for $6,279.19 per month. The Starbucks Building has no known encumbrances. On February 18, 2011, the Receiver filed an unopposed motion to approve the sale of the Starbucks Building (Doc. 599). The Court granted the motion in its entirety on February 22, 2011 (Doc. 601). In pertinent part, the Order approved the sale of the Starbucks Building for an all-cash offer of $715,000. The purchaser provided the Receiver with $25,000 in earnest money and paid the balance of the purchase price at closing, which occurred on February 24, 2011. The Receivership estate netted approximately $651,216 from the sale of the property after payment of commissions and other expenses associated with the sale. The Receiver believes that this sale was in the best interest of the Receivership and that the purchase price represents the fair market value for the Starbucks Building.

6. Newnan, Georgia.

The Receiver had possession and control of a gas station located at 5 McCollum Station, Newnan, Georgia 30265 (the "**Newnan Property**"). This property was purchased on January 20, 2006 for $2,450,000 and had no encumbrances. The Newnan Property consists of approximately two acres of land and a 3,500 square-foot building.

The sale of the Newnan Property was completed on August 5, 2010. In total, the Receivership received proceeds of $1,750,000 from the sale of the Newnan Property. Prior to the sale of this property, the Receiver received opinions from real estate professionals in

the area that the property was valued between $1.2 million and $1.4 million. For more information regarding the sale of the Newnan Property, please refer to prior Interim Reports.

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.) Nadel and his wife purchased the Fairview Property for $335,000 on June 14, 2004. The Fairview Property was a secondary residence of the Nadels and 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. The Receiver received two offers for the purchase of the Fairview Property. One offer was below what the Receiver believed to be the fair market value of the property. The Receiver negotiated with the other prospective buyer; however, the buyer was unable to obtain financing. The Receiver retained $2,000 from funds put in escrow by this prospective buyer. 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:

Sharon Chiodi
Sotheby's International Realty
50 Central Avenue, Suite 110
Sarasota, Florida
Phone: (941) 364-4000
Fax: (941) 364-9494
Email: sharon.chiodi@sothebyrealty.com

9. Oberlin, Ohio.

The Receiver has title to 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**")[14] and was originally titled in Nadel's name. There are no known encumbrances on the Oberlin Property. Parties interested in purchasing the Oberlin Property should contact the Receiver directly.

10. Sarasota, Florida (La Bellasara).

On January 28, 2010, the Court granted the Receiver's motion (Doc. 324) for possession of property located at 464 Golden Gate Point, Unit 703, Sarasota, Florida (the

[14] 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.

"**Bellasara Property**"). (Doc. 327.) The Bellasara Property is a residential condominium unit in a building called La Bellasara. (Doc. 100.) On or about May 23, 2006, Neil Moody as Trustee of the Neil V. Moody Revocable Trust Agreement dated February 9, 1995 purchased the Bellasara Property for $2,160,000. The Bellasara Property was Neil Moody's primary Florida residence. The Bellasara Property has two known encumbrances: a primary mortgage loan from MSC Mortgage, LLC in the amount of $956,000 and a home equity line of credit from Wells Fargo Bank N.A. with an initial balance of $880,000, both of which were obtained by Neil Moody on or about the date of the closing of the purchase of the Bellasara Property. The Bellasara Property is currently subject to a foreclosure proceeding in the Twelfth Circuit in and for Sarasota County, Florida. The Receiver has notified all parties in the pending foreclosure to effectively stop the proceeding and has undertaken to market the property and negotiate with the lenders in an effort to generate money for the Receivership estate. The Receiver had reached an agreement in principle to sell the Bellasara Property, but was unable to reach a final agreement with the prospective purchaser. Parties interested in purchasing the Bellasara Property should contact:

Sharon Chiodi
Sotheby's International Realty
50 Central Avenue, Suite 110
Sarasota, Florida
Phone: (941) 364-4000
Fax: (941) 364-9494
Email: sharon.chiodi@sothebyrealty.com

11. Evergreen, Colorado.

The Receiver has possession and control of property located at 30393 Upper Bear Creek Road, Evergreen, Colorado ("**Evergreen Property**"). The Evergreen Property is a

residential property that was used by Neil and Sharon Moody. The property was purchased in 1988 for $290,000. The Evergreen Property has one known encumbrance: a loan with Wells Fargo on which there is a remaining balance of approximately $395,113.29 as of January 2011. Parties interested in purchasing the Evergreen Property should contact:

Yvette Putt
Fuller Sotheby's International Realty
32156 Castle Court, Suite 201
Evergreen, Colorado
Phone: (303) 674-3200
Fax: (303) 526-0828
Email: yputt@fullerproperties.com

12. Tazewell, Tennessee.

The Receiver has possession and control of property located at 780 Woodlake Blvd., Tazewell, Tennessee (**"Tazewell Property"**). The Tazewell Property is an undeveloped lot in a golf community that the Receiver obtained through a settlement with Profiteers. The property was purchased in 2007 for $60,000. The Tazewell Property has no known encumbrances. Parties interested in purchasing the Tazewell Property should contact:

Debra Schuemann Realty
Debra Schumann, Broker
Woodlake Golf Resort
330 Woodlake Blvd
Tazewell, TN 37879
Phone: (865) 585-5230
Fax: (423) 526-2920
Email: debschuemann@gmail.com

C. Recovery of Vehicles and Other Items.

1. Vehicles.

The Receiver assumed control of four vehicles: (1) 2008 Mercedes-Benz E63; (2) 2009 Volkswagen EOS; (3) Maserati Grand Turismo; and (4) 1998 Jeep Wrangler. Valhalla

Management and Viking Management leased the first three vehicles for the Moodys' use. Because there was no value to these three vehicles and only the continuing obligation of lease payments, the Receiver surrendered them to the respective leasing companies without penalty and without the lessor retaining any claim to Receivership assets. Scoop Capital, LLC and Nadel's wife owned the Jeep Wrangler. The Receiver sold this car to a dealership for $4,500.

On July 7, 2009, the Court authorized the Receiver to bring into the receivership a 2006 Subaru Legacy Outback ("Subaru"). The Subaru was purchased with proceeds of Nadel's scheme. Through his efforts, the Receiver was able to obtain a purchase price of $16,500 which was in excess of trade-in and dealer retail values the Receiver obtained from Edmunds.com. On March 24, 2010, the Court approved the sale of the Subaru for that amount (Doc. 371).

On or about January 21, 2010, the Receiver obtained possession of a 1997 Jeep Wrangler customized in "Barbie" colors ("Barbie Jeep"). Through marketing the Barbie Jeep on eBay, the Receiver was able to obtain an offer of $7,875 which was far in excess of the trade-in and dealer retail values the Receiver obtained through Edmunds.com. On March 2, 2010, the Court approved the sale of the Barbie Jeep for $7,875 (Doc. 357).

On or about February 2, 2011, the Receiver sold a John Deere Buck 4x4 for $3,300. The Buck had been used by Nadel at Laurel Preserve.

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 at 774 North Jefferson Avenue 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, who subsequently assigned the note and mortgage to the Receiver, per the Court's order. The condominium's owner was in default, and the Receiver initiated foreclosure proceedings. A summary judgment hearing was held on June 18, 2010 and an order of foreclosure was entered the same day. A judicial sale of the property was held on October 12, 2010. As a result of the sale, the Receiver has ownership of the property.

The Receiver filed a Motion for Deficiency Judgment on October 26, 2010. After a hearing on the motion, on February 2, 2011, the Court entered a Deficiency Judgment against the former owner in the amount of $99,963.37. The Receiver recorded this judgment and is taking appropriate steps to attempt to collect on it.

Parties interested in purchasing this condominium should contact the Receiver directly.

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**"). Bonds.com is a registered securities broker dealer established in 2007. Bonds.com developed and operates an online trading platform for the sale of fragmented lots of fixed income securities. Through the course of the Receivership, the Receiver has obtained control of interests and related rights in Bonds.com, including promissory notes and shares of stock.

Promissory Notes

The Receiver has five (5) promissory notes from Bonds.com in the total amount outstanding of $1,840,636. The notes are as follows:

1) A term note issued to Valhalla Investment Partners with a principal amount due of $100,000. The principal amount of this note when the Receiver took possession of it was $400,000. Through the course of the Receivership the Receiver has received three payments on this note totaling $332,875, which included $300,000 of principal and $32,875 of accrued interest;
2) A convertible note in the amount of $203,800 also issued to Valhalla Investment Partners, convertible to 849,167 shares of Bonds.com stock;
3) A convertible note issued to Chris Moody in the amount of $1,236,836, convertible to 5,153,483 shares of Bonds.com stock;
4) A convertible note issued to Chris Moody in the amount of $50,000, convertible to 208,333 shares of Bonds.com stock; and
5) A convertible note issued to Neil Moody in the amount of $250,000, convertible to 1,041,667 shares of Bonds.com stock.

The notes accrue interest at 9%, are in part secured by the domain name www.bonds.com, and with the exception of the one term note are convertible to Bonds.com shares of stock at the Receiver's option. No payments have been made on the convertible notes.

In October 2010, senior management from the company met with the Receiver to discuss its current financial condition. Senior management asked the Receiver (and other

noteholders) to consent to the restructuring of Bonds.com's debt obligations to allow Bonds.com to raise much-needed capital to continue its business operations. The success of Bonds.com would be of significant benefit to the Receivership Estate. Accordingly, on October 18, 2010, the Receiver filed a Motion for Leave to Agree to Restructuring Transactions with Bonds.com (Doc. 499). The Court granted the motion on October 19, 2010 (Doc. 500). In pertinent part, the Receiver agreed to a three-year extension on the above promissory notes. Although the Receiver agreed to the three-year extension, he was given the right to demand payment on these notes beginning on April 22, 2012, with the then-outstanding and accrued interest payable in full 90 days from the date of demand. The Receiver further agreed to a modification to the current anti-dilution protections applicable to the Receiver's equity interests discussed below to the same anti-dilution protections afforded to new strategic investors.

In exchange for the Receiver's consent to the restructuring, Bonds.com agreed to use commercially reasonable best efforts to provide the Receiver with a first priority security interest in the Bonds.com domain name. As of October 18, 2010, approximately two-thirds of noteholders other than the Receiver had agreed to subordinate their security interests in the domain name to those of the Receiver. Further, Bonds.com granted the Receiver (and other noteholders) the right to receive additional shares of common stock if Bonds.com does not meet certain performance thresholds within a year from the date of the restructuring. In light of Bonds.com's capital requirements, a capital infusion was necessary for the company to continue operating. Due to that circumstance and the potential beneficial impact to the

Receivership if the company is successful, the Receiver believes that the agreements outlined above are in the best interests of the Receivership.

Shares of Stock

The Receiver has possession and control of 7,582,850 unrestricted shares of stock in Bonds.com. During the time of this report, the shares were held in a brokerage account with Wells Fargo and as of March 3, 2011 are valued at approximately $1,213,256.00 ($0.16 per share of common stock). For more information regarding how the Receiver obtained these shares, please refer to prior Interim Reports.

At this time, the stocks are thinly traded and their realizable value is highly dependent upon the success of the company in the near-to-intermediate term. If the Receiver were to sell all of these shares through the secondary market, assuming the market could absorb the sell order, the shares would likely have to be sold at a substantial discount compared to the then-current price per share being traded on the OTC Bulletin Board. In other words, the proceeds from such a secondary market sale would most likely equal to only a small fraction of the current market value stated above. The Receiver is contemplating the appropriate action to take with respect to all of the Receivership's interests in Bonds.com.

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, jewelry,[15] 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 Assets from the Moodys.

The Receiver's investigation has revealed that a significant portion of activities of certain Hedge Funds should have been managed and directed by the Moodys. 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 assets from the state of Florida without prior written notice to the Receiver. Chris Moody has satisfied this commitment and has fully cooperated with the Receiver in connection with the turnover of all of his assets. On January 19, 2010, Chris Moody gave the Receiver a power of attorney which allows the Receiver to effectuate the transfer of most of his assets without any direct participation from Chris Moody.

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[15] The Receiver has possession of jewelry from Queen's Wreath Jewels, Inc. ("Queen's Wreath"), Mrs. Nadel, Sharon Moody, and another Profiteer. The Receiver has entered into a consignment agreement with Leslie Hindman Auctioneers in Chicago. The auctioneers intend to market and sell the items at auction in early April. For more information regarding the Queen's Wreath jewelry, please refer to prior Interim Reports.

The Receiver met with Chris Moody, confirmed the assets he owned, and reviewed in detail Chris Moody's interests and liabilities in those assets. Meaningful assets the Receiver has identified are delineated on the attached **Exhibit B**. Where possible, the Exhibit provides percentage of interest acquired or purchase price, the estimated value, and status or disposition of the asset. For the most part, the Receiver is continuing to evaluate these assets and will take appropriate actions as he determines are in the best interests of the Receivership. Any entity in which the Receiver believes he may have a viable interest or potential for meaningful recovery has been put on notice of the Receiver's interests and rights.

Additionally, Chris Moody surrendered all bank and brokerage accounts to the Receiver. On February 24, 2010, Chris Moody sent the Receiver a check in the amount of $8,085 which represented the total balance in Chris Moody's personal bank account. Shares of stock were transferred to accounts held by the Receiver. In addition to the Bonds.com interests discussed above, the Receiver also received the shares of stock identified on Exhibit B.

The Receiver has reached an agreement with Neil Moody contingent upon the Court's approval wherein he agrees to cooperate with the Receiver to effect the orderly transfer of all of his meaningful assets and to provide assistance, as necessary, in connection with the Receiver's efforts to recover monies from third parties. The Commission is continuing to review this agreement. Neil Moody's assets include (1) personal property; (2) real property; (3) bank and brokerage accounts; (4) various corporate interests, including the Bonds.com interests discussed above; and (5) certain possible tax refunds. The Receiver will provide

pertinent details of the agreement and Neil Moody's assets in a future Interim Report after the Commission has completed its review of the agreement.

On January 28, 2010, the Receiver obtained possession of a condominium owned by Neil Moody in Sarasota (*see* Discussion at V.B.10 above for Bellasara Property; Order, Jan. 28, 2010 (Doc. 327)).

Enforcement Action Instituted Against Moodys

On January 11, 2010, the Commission instituted an enforcement action against the Moodys alleging that they violated antifraud provisions of the federal securities laws in connection with their involvement in Nadel's scheme. *See generally SEC v. Neil V. Moody, et al.*, Case No. 8:10-cv-00053-T-33TBM (M.D. Fla.) (the "**Moody SEC Action**"), Compl. (attached as Exhibit A to Doc. 325). Also on January 11, 2010, Neil Moody and Chris Moody, without admitting or denying the allegations of the complaint, consented to entry of a permanent injunction and agreed to disgorge all ill-gotten gains upon the Commission's request. (Moody SEC Action, Consent of Def. Neil V. Moody ¶ 3, Doc. 2, Ex. 2) (also attached as Ex. B to Doc. 325.); (Moody SEC Action, Consent of Def. Christopher D. Moody ¶ 3, Doc. 2, Ex. 1). On April 7, 2010, Judgments of Permanent Injunction and Other Relief were entered against Neil and Chris Moody. (Moody SEC Action, Docs. 9 (Neil Moody) and 9-1 (Chris Moody)). The Judgments permanently enjoin Neil and Chris Moody from further violations of the antifraud provisions of the federal securities laws. The Judgments also allow the Commission to seek an order for disgorgement of ill-gotten gains and/or a civil penalty.

E. Litigation.

In January 2010, the Receiver filed **134** lawsuits seeking **$71,096,326.43**. The lawsuits seek (1) the recovery of false profits from investors; (2) the recovery of distributions from Receivership Entities to Neil and Sharon Moody, Donald and Joyce Rowe, and certain of their affiliated entities; (3) the recovery of other distributions, such as commissions, from other individuals and/or entities; and (4) the recovery of certain charitable contributions made with scheme proceeds. The Receiver also continues to pursue malpractice litigation against Holland & Knight and continues to evaluate possible additional litigation.

1. Recovery of False 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. These purported profits were false because they were not based on any trading or investment gain, but rather were fruits of a Ponzi scheme that consisted of commingled funds of new and existing investors. To date, the Receiver has discovered approximately $35 million in such "false profits." The Receiver spent substantial time identifying recipients of these false profits (the "**Profiteers**"). In consultation with the Commission, the Receiver concluded that, in the best interests of the Receivership Entities and the investors as a whole, these inequitable distributions should be recovered and distributed in an equitable manner among investors holding legitimate and allowed claims (as to be determined by the claims process).

As of December 31, 2010, the Receiver reached settlements with 98 Profiteers for a total sum of $14,131,707.69. The Court has approved all 98 of these settlements. During the time covered by this Interim Report, the Receiver settled 22 cases for the total amount of

$2,422,338.22. The Receiver's efforts during this period also led to the settlement of eleven additional cases as of March 10, 2011, for a further amount of $2,143,238.29. As of March 10, 2011, the Receiver has reached agreements to settle with 109 Profiteers for a total amount of **$16,274,945.98** (plus additional non-cash assets).

In January 2010, the Receiver initiated **121** lawsuits against Profiteers seeking to recover total false profits of approximately **$32,755,269.13**. The complaints set forth claims for unjust enrichment and fraudulent transfers pursuant to Florida's Uniform Fraudulent Transfers Act ("**FUFTA**"). Except in situations where defendants had, or should have had, knowledge of the fraudulent investment scheme or did not act in good faith, the Receiver is seeking to recover false profits but not the amount equivalent to the principal investment. Individuals and/or entities who the Receiver believes did not act in good faith are discussed in sub-sections V.E.2 and V.E.3 immediately below.

The Receiver is proceeding with this litigation. Scheduling conferences required by Rule 16 of the Federal Rules of Civil Procedure have been held for all of the cases filed in January 2010. At these conferences, the Court has ordered the parties to mediate all cases before proceeding with litigation except those brought to recover charitable contributions discussed in Section E.4 below. The Court stayed all formal discovery and set deadlines for responses to the complaints for after the mediations have been conducted. The parties are engaging in motion practice. The parties are also attending additional Rule 16 conferences by Order of the Court for purposes of further scheduling to effectively manage the cases. Currently, the last mediation is scheduled to occur by April 2011. As of March 10, 2011, the

Receiver has mediated 69 cases, and as a result of these mediations 25 cases have been fully resolved.

On or about September 27, 2010, the Receiver filed 12 additional actions against Profiteers who invested with Traders' "accounts." The lawsuits seek to recover false profits of approximately $962,197.43. In anticipation of initiating these lawsuits, the Receiver filed a Motion to Reappoint Receiver (Doc. 492). That motion was granted on September 23, 2010. (Order, Doc. 493.)

The Receiver believes that he has identified all of the Profiteers. However, the Receiver is verifying that identification and will bring additional actions if appropriate and in the best interests of the Receivership. The Receiver is continuing to engage in settlement discussions with defendants of the lawsuits discussed above.

2. Litigation against Moodys and Rowe.

a. Moodys.

On January 20, 2010, the Receiver filed suit against Neil V. Moody, individually and as Trustee of the Neil V. Moody Revocable Trust; Sharon G. Moody, individually and as Trustee of the Sharon G. Moody Revocable Trust; and the Neil V. Moody Charitable Foundation, Inc. (collectively the "**Moody Defendants**") for the return of **$28,341,953.10**. *See Wiand, as Receiver v. Neil V. Moody, et al.*, Case No. 8:10-cv-249-T-17MAP (M.D. Fla.).

On November 5, 2010, the Receiver filed a motion to approve the settlement of all claims asserted against Sharon G. Moody in her individual capacity and in her capacity as Trustee of the Sharon G. Moody Trust (collectively referred to as "**Ms. Moody**") (Doc. 516).

The Court approved the settlement in its entirety on November 8, 2010 (Doc. 517). In pertinent part, the Receiver agreed to settle all claims against Ms. Moody in exchange for the following: (1) payment of $39,000 within 5 business days after the Court's approval of the settlement agreement; (2) conveyance of title to real property located in Evergreen, Colorado (which according to an appraisal obtained by the Receiver and a separate realtor's estimate, has approximately $450,000 to more than $500,000 in equity); (3) transfer by Ms. Moody to the Receiver of all jewelry, furnishings, antiques, and other personal property in the possession, custody, or control of Ms. Moody which was funded by Neil Moody (which items had a collective purchase price of approximately $350,000 or greater); (4) transfer and assignment by Ms. Moody to the Receiver of any and all claims Ms. Moody has or may have for tax refunds arising from her investment in the Receivership Entities (the Receiver has already received $417,964 in tax refunds for Ms. Moody, *see* Section IV.C.1, above).

The Receiver believes that the settlement with Ms. Moody is in the best interests of the Receivership because resolution of these claims avoids protracted litigation, conserving Receivership assets and judicial resources; avoids the risk of litigation and of an unfavorable outcome; and, in the event of a favorable outcome, avoids a significant risk of not being able to fully collect on any eventual judgment.

The Receiver has reached an agreement in principle with Neil Moody which would resolve the remainder of this litigation. The Receiver will provide the pertinent details of this agreement in a future Interim Report after the Commission has completed its review of the agreement.

b. Rowe.

On January 20, 2010, the Receiver filed suit against Donald Rowe ("**Rowe**"), individually and as Trustee of the Wall Street Digest Defined Benefit Pension Plan, Joyce Rowe, and Carnegie Asset Management, Inc. ("**CAM**") (collectively "**Rowe Defendants**") for the return of **$8,610,428.90**, which includes approximately $2,106,568.89 in false profits. *See Wiand, as Receiver v. Donald Rowe, et al.*, Case No. 8:10-cv-245-T-17MAP (M.D. Fla.). As set forth in the Complaint, Donald Rowe, both in his individual capacity and as Trustee of the Wall Street Digest Defined Benefits Pension Plan, and Joyce Rowe were investors in one or more of the Hedge Funds and received distributions of purported trading profits or purported principal redemptions in connection with their investments which do not satisfy FUFTA's "good faith" standard and which are unjust. The Receiver seeks to recover those transfers under FUFTA, or alternatively, seeks disgorgement of those amounts pursuant to equitable claims of unjust enrichment.

Rowe played a key role in Nadel's scheme, and was also a major financial beneficiary as he, his wife, and his entities received millions of dollars of investor funds. He actively solicited a large number of investors in violation of federal and state securities laws. He also repeatedly touted and recommended the Hedge Funds in his investment newsletter, "The Wall Street Digest," and in "reports." He extolled that the Hedge Funds were managed by "America's Top-Ranked Money Manager" or with similar praise. In addition to Rowe's violation of various state and federal securities laws by his general solicitation of investors for the Hedge Funds, he further violated these laws by: (1) his receipt of purportedly performance-based fees and commissions for soliciting investors even though neither he nor

his entities were registered with the State of Florida or the Commission as a broker/dealer, associated person of a broker/dealer, or an investment adviser; and (2) his repeated material omissions and misrepresentations made in connection with his solicitation of investors.

Further, CAM (and Carnegie Wealth Management ("**CWM**"), a division of CAM) also received certain funds from the Hedge Funds under the terms of a purported "Non-Solicitation Agreement." This Agreement was merely a financial settlement pursuant to which money from the Hedge Funds was transferred to CAM and CWM for "management" and "performance" fees Rowe claimed he was supposed to receive for his referral and solicitation of investors to the Hedge Funds. The Receiver believes this Agreement was fraudulent and nothing more than a document designed for the sole purpose of paying improper fees to CAM and CWM. The Receiver seeks to recover all such sums distributed to CAM and CWM from Receivership Entities.

The Hedge Funds also paid "management" and "performance" fees based on the purported value and performance of the Hedge Funds to another entity controlled by Rowe, Wall Street Online ("**WSO**"). WSO is now defunct, however, the Receiver has information and believes that its assets remain under Donald Rowe's control. The Receiver seeks to recover all such sums distributed to WSO from Receivership Entities.

The parties mediated this matter on September 13, 2010 and September 28, 2010, but were unable to reach an accord. The Rowe Defendants filed an answer on January 27, 2011 (Doc. 39). The trial in this matter is set for March 2012. The parties are engaging in discovery.

3. Recovery of Fees from Recipients of Commissions or Other Transfers.

Information available to the Receiver revealed that at least three individuals received commissions as "compensation" under circumstances that warrant the Receiver's recovery of those sums.[16] In January 2010, the Receiver initiated lawsuits against these three individuals. *See Wiand, Receiver v. Kelvin V. Lee and Barbara Lee*, Case No. 8:10-cv-251-T-17MAP (M.D. Fla.) (seeking the return of $93,921.28 in purported fees and $33,077.26 in false profits); *Wiand, Receiver v. Michael Corcione*, Case No. 8:10-cv-234-T-17MAP (M.D. Fla.) (seeking the return of $7,500 in purported fees); and *Wiand, Receiver v. Steve Ellis*, Case No. 8:10-cv-233-T-17MAP (M.D. Fla.) (seeking the return of $62,299.64 in purported fees). The Hedge Funds paid the Defendants in these cases "management" and "performance" fees based on the purported value and performance of the Hedge Funds. The Receiver seeks to recover those transfers under FUFTA, or alternatively, seeks disgorgement of those amounts pursuant to equitable claims of unjust enrichment.

The Receiver has resolved two of the three above cases. On October 19, 2010, the Receiver filed a motion to approve a settlement with certain defendants, including Kelvin V. Lee and Barbara Lee (Doc. 506). The Court approved the settlement on October 20, 2010 (Doc. 508). In pertinent part, Kelvin Lee agreed to pay $133,371.09 to resolve the claims against him.

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[16] The Receiver also determined that two entities received improper distributions in connection with Nadel's Scheme: GQ Digital Home Integration, Inc. and Alpha Ventures Securities Company. Both of these matters have been resolved. For further information regarding these matters, please refer to prior Interim Reports.

On February 21, 2011, the Receiver sought the Court's approval of a settlement agreement with Michael Corcione (Doc. 600). The Court approved the settlement agreement on February 22, 2011 (Doc. 602). In exchange for the Receiver's dismissal of the claims against him, Mr. Corcione has agreed to pay the Receiver $3,750. Considering the risks and expenses of litigation and the risk of not being able to collect on any eventual judgment, the Receiver believes that these two settlements are in the best interests of the Receivership.

4. Recovery of Charitable Contributions Made with Scheme Proceeds.

Nadel formed the Guy-Nadel Foundation in December 2003 as a non-profit corporation for charitable, educational and scientific purposes. The Foundation was funded solely with proceeds of Nadel's scheme. All money Nadel wrongfully caused to transfer or pay to the Foundation was diverted and misappropriated by him in connection with his scheme. The Receiver has discovered that from 2000 through 2008, the Guy-Nadel Foundation made a total of $2,484,589 in contributions to various non-profit organizations and charities.

The Receiver has focused his attention on the charitable organizations that received the most misappropriated funds. 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 and one refused to extend a tolling agreement it had entered with the Receiver upon its expiration, thus the Receiver had no recourse but to initiate actions against them. *See Wiand, as Receiver v. Catholic Charities, Diocese of Venice, Inc.*, Case No. 8:10-cv-247-T-17MAP (M.D. Fla.) (seeking the return of $40,000) (the "**Catholic Charities Action**"); *See Wiand,*

as Receiver v. Diocese of Venice in Florida, Inc., Case No. 8:10-cv-247-T-17MAP (M.D. Fla.) (seeking the return of $370,000) (the "**Diocese Action**"); *See Wiand, as Receiver v. Sarasota Opera Association, Inc.*, Case No. 8:10-cv-248-T-17MAP (M.D. Fla.) (seeking the return of $353,125) (the "**SOA Action**"); *Wiand, as Receiver v. The Florida House Foundation of Sarasota, Inc.*, Case No. 8:10-cv-2071-T-17MAP (seeking the return of $61,000) (the "**Florida House Action**").

The Diocese, Catholic Charities, and Sarasota Opera Association have each filed a motion to dismiss the Receiver's complaint. (*See Catholic Charities Action* at Doc. 31; *Diocese Action* at Doc. 31; and *SOA Action* at Doc. 32). Those motions are currently pending and the Receiver's response was filed on March 3, 2011. Florida House provided the Receiver with financial documents and an affidavit to prove its current financial condition rather than respond to the complaint. Based on those documents and sworn statements, the Receiver determined that Florida House has no collectible assets nor does it have an expectation of receiving assets in the near future. Therefore, the Receiver dismissed the Florida House case without prejudice.

The Receiver has approached the Diocese, Catholic Charities, and Sarasota Opera Association again in an effort to settle these matters. The Receiver is also attempting to reach resolutions with the charities that entered tolling agreements which are still in effect. If no resolution is reached soon, the Receiver will have no choice but to initiate actions against these organizations as well.

5. 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.). On March 31, 2010, the Court entered an order of dismissal based on the determination that this class action was preempted by the Securities Litigation Uniform Standards Act of 1998 ("**SLUSA**"). The plaintiffs filed a motion for reconsideration of this determination on April 7, 2010. No ruling on the plaintiff's motion for reconsideration has been issued yet.

6. Receiver's Litigation Against Holland & Knight LLP.

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 to recover as much as possible of the approximately $168 million out-of-pocket losses suffered by investors. (*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.).

The Receiver successfully overcame a motion for removal to federal court and motions to dismiss. Discovery is underway. Hundreds of thousands of documents have been

exchanged and several depositions have been taken. On September 8, 2010, the court on its own motion designated this case as a "complex case" as defined by Rule 1.201 of the Florida Rules of Civil Procedure. The trial is expected to occur after November 1, 2011.

7. 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. Claims Process.

On April 20, 2010, the Receiver filed his Motion to (1) Approve Procedure to Administer Claims and Proof of Claim Form, (2) Establish Deadline for Filing Proofs of Claim, and (3) Permit Notice by Mail and Publication and Incorporated Memorandum of Law (Doc. 390) ("Claims Motion"). On April 21, 2010, the Court granted the Receiver's Claims Motion in its entirety (Doc. 391). The Court established a Claim Bar Date of the later of 90 days from the date of the Order granting the Claims Motion or the mailing of Proof of Claim Forms to all known investors (as the term Claim Bar Date is defined in the Receiver's motion). Pursuant to the Court's Order, any person or entity who failed to submit a proof of claim to the Receiver so that it is actually received by the Receiver on or before the Claim Bar Date is barred and precluded from asserting any claim against the Receivership or any Receivership Entity.

The Court's Order further provided that sufficient and reasonable notice was given by the Receiver if made (1) by mail to the last known addresses of all known potential

claimants, (2) by global publication on one day in The Wall Street Journal and publication on one day in the Sarasota-Herald Tribune, and (3) on the Receiver's website (www.nadelreceivership.com).

In compliance with the Court's Order, on June 4, 2010, the Receiver mailed 1256 packages to known investors and their attorneys, if any, and any other known potential creditors of the Receivership Estate thereby establishing **September 2, 2010 as the Claim Bar Date.** Each package included a cover letter, the Notice of Deadline Requiring Filing of Proofs of Claim (the "Notice"), and a Proof of Claim Form. The Receiver also published the Notice in the global edition of The Wall Street Journal and in the Sarasota Herald-Tribune on June 15, 2010, and provided the Notice and a Proof of Claim form on his website.

As of February 25, 2011, the Receiver has received 477 Proof of Claim Forms from investors and 26 Proof of Claim Forms from other possible creditors, for a total of 503 submitted claims. Thirteen of the 503 Proof of Claim Forms were received after the Claim Bar Date. The Receiver has completed an initial review of the claims. As a result of this review, the Receiver sent approximately 102 letters to claimants notifying them of deficiencies in their respective Proof of Claim Forms. The claimants were given thirty days from the date of the notice of deficiency to return an amended Proof of Claim Form to preserve their claims. The Receiver is continuing to review all submitted claims and amended claims and will make determinations regarding these claims once the review is complete.

VII. 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 is also assisting 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.

The Receiver has also retained the services of RWJ Group, LLC ("**RWJ**") as an asset manager for the Receivership Entities. RWJ is owned and operated by Roger Jernigan. Mr. Jernigan has over 24 years of law enforcement and investigative experience. He also has experience in managing multiple businesses with gross sales exceeding $1.5 million. Mr. Jernigan formerly was the manager of the VJC and has significant knowledge of the maintenance of assets recovered by the Receiver. Mr. Jernigan is a commercial pilot with over 10,000 hours of accident and incident free flying. After conducting due diligence, the Receiver determined that Mr. Jernigan had no involvement with Nadel's scheme and was not an investor in the Hedge Funds. Mr. Jernigan has been an invaluable asset to the Receivership. Mr. Jernigan assists the Receiver with overseeing ongoing business operations and property recovered by the Receiver, including aiding with efforts to sell such businesses and property. His efforts are designed to ensure that Receivership assets are maintained and/or enhanced to allow for maximum recovery for the Receivership estate. Pursuant to an

agreement with the Receiver, RWJ receives $5,500 per month for its services and is reimbursed for related expenses.

VIII. 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 him.

The Receiver has received most but not all of the documents he has subpoenaed from third parties. He will continue to make efforts to obtain additional relevant documents and to review such documents in connection with his efforts to investigate matters underlying this Receivership, including 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.

The Receiver will proceed with the claims process by continuing to review and analyze all submitted Proof of Claim Forms and amended Proof of Claim Forms and addressing any questions potential claimants and/or their attorneys may have. After the Receiver has reviewed all submitted claims, he will submit a motion to the Court with his claim determinations. This motion likely will not be filed until several months after the Claim Bar Date.

The Receiver will proceed with the pending cases. He will continue attempts to serve process on any defendants that yet have not been served. The Receiver will attend the court-ordered mediations. He will continue to thoroughly consider and review any settlement offers for pending cases and engage in settlement negotiations. The Receiver will make every effort to reach compromises that are in the best interests of the Receivership Entities and the investors.

The Receiver will continue to review information to determine if any third parties may have liability either to the Receivership estate or investors. The Receiver will likely institute litigation against financial institutions that assisted Nadel and his companies.

The Receiver will continue to pursue the recovery of tax refunds where possible, and will continue to attempt to locate additional funds and other assets. If appropriate, the Receiver 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 (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 14th day of March, 2011.

Respectfully submitted,

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

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on March 14, 2011, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system.

I FURTHER CERTIFY that on March 14, 2011, I mailed the foregoing document and the notice of electronic filing by first-class mail to the following non-CM/ECF participant(s):

Arthur G. Nadel
Register No. 50690-018
FCI BUTNER LOW
Federal Correctional Institution
P.O. Box 999
Butner, NC 27509

s/Gianluca Morello
Gianluca Morello, FBN 034997
gmorello@wiandlaw.com
Maya M. Lockwood, FBN 0175481
mlockwood@wiandlaw.com
WIAND GUERRA KING P.L.
3000 Bayport Drive
Suite 600
Tampa, FL 33607
T: (813) 347-5100
F: (813) 347-5198

Attorneys for the Receiver, Burton W. Wiand

Standardized Fund Accounting Report
for Consolidated Nadel Entities - Cash Basis
Receivership; Civil Court Docket No. 8:09-cv-87-T-26TBM
Reporting Period 10/01/10 to 12/31/10

Fund Accounting (See Instructions):				
		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (As of 10/01/10):			15,993,699.12
	Increases in Fund Balance:			
Line 2	Business Income	168,421.14		
Line 3	Cash and Securities			
Line 4	Interest/Dividend Income	70,651.61		
Line 5	Business Asset Liquidation	20,636.68		
Line 6	Personal Asset Liquidation			
Line 7	Third-Party Litigation Income	2,363,610.06		
Line 8	Miscellaneous - Other (see attached)	417,964.00		
	Total Funds Available (Line 1-8):		3,041,283.49	19,034,982.61
	Decreases in Fund Balance:			
Line 9	Disbursements to Investors			
Line 10	Disbursements for Receivership in Operations			
Line 10a	*Disbursements to Receiver or Other Professionals*	1,138,013.06		
Line 10b	*Business Asset Expenses*	41,574.61		
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*	45,981.27		
	Total Disbursements for Receivership Operations		$1,225,568.94	$1,225,568.94
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			

EXHIBIT A

Standardized Fund Accounting Report
for Consolidated Nadel Entities - Cash Basis
Receivership; Civil Court Docket No. 8:09-cv-87-T-26TBM
Reporting Period 10/01/10 to 12/31/10

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 - 14)			$1,225,568.94
Line 13	Ending Balance (As of 12/31/10)			17,809,413.67
Line 14	Ending Balance of Fund - Net Assets:			17,809,413.67
Line 14a	*Cash & Cash Equivalents*			15,926,387.27
Line 14b	*Investments*			1,883,026.40
Line 14c	*Other Assets or Uncleared Funds*			
	Total Ending Balance of Fund - Net Assets			17,809,413.67

Chris Moody's Assets

Asset	Purchase Price or % of Interest Acquired	Share Information	Market Value	Loans/Liens	Status/Disposition
Real and Personal Property					
2140 Hillview St., Sarasota (Rental Property)	$296,000			$228,000 (as of 1/2009)	The Receiver did not exercise his right to obtain Chris Moody's interest in this property given that there was no equity in the property.
1881 Summerwalk Circle, Sarasota (Rental Property)	$312,000			$241,300 (as of 1/2009)	The Receiver did not exercise his right to obtain Chris Moody's interest in this property given that there was no equity in the property.
Hideaway Bay Club, Unit K2, Little Gasparilla, FL (1/3 ownership in Vacation Condominium)	$150,000				The Receiver is evaluating Chris Moody's interest in this property.
1997 Jeep (Barbie)			$4,000		Sold for $7,875 on or about March 2, 2010 (Order, Doc. 357).
1996 Wellcraft Scarab Sport boat (Purchased in 1999)	$45,000		Approximately $25,000	$26,200 (as of 1/2009)	The Receiver did not exercise his right to obtain Chris Moody's interest in this boat given that there was no equity in the boat.
King Air (Valkyrie Aviation)				$1,000,000	The Receiver is evaluating Chris Moody's interest in this entity.

EXHIBIT B

Chris Moody's Assets

Asset	Purchase Price or % of Interest Acquired	Share Information	Market Value	Loans/Liens	Status/Disposition
Securities					
Drinks Americas Holdings, Ltd.		233,293 shares	$489.92 (as of 10/21/10)	None	The Receiver has possession of these shares and is attempting to determine the available market for these shares.
China New Energy Group Company		2,500 shares	$825 (as of 1/29/10)	None	The Receiver has possession of these shares and is attempting to determine the available market for these shares.
Flagship Global Healthcare, Inc.		153,265 shares	Unknown	None	This company is currently in bankruptcy.
Celsia Technologies (formerly iCurie)		2,912 shares Series A pfd. - $2,912		None	The Receiver has possession of these shares and is attempting to determine the available market for these shares.

Chris Moody's Assets

Asset	Purchase Price or % of Interest Acquired	Share Information	Market Value	Loans/Liens	Status/Disposition
Corporate Interests					
C.D.M. Leasing LLC	100%				This is an inactive Florida Limited Liability Company. The Company owns two vehicles which are currently being leased to Respiro, Inc. The leases likely will be restructured in connection with the loan to Respiro discussed below.
Valkyrie Aviation, LLC	100%				This is an inactive Florida Limited Liability Company established to co-own and operate King Air. This company has a potential $112,500 interest in an airplane transferred to another entity which assumed the note and mortgage. The Receiver is evaluating this transaction and Chris Moody's interest in the airplane.
Collingwood Construction Group, LLC	16%				Collingwood Construction Group, LLC is in bankruptcy. Chris Moody invested approximately $263,750 in this company. It appears that the Receiver will not be able to recover any of this investment.
TRD Land 43, LLC	3.22% Limited Partnership Interest				Chris Moody invested approximately $59,500 in this company to help fund the purchase of 43 acres in Arcadia, Florida. The Receiver is evaluating Chris Moody's interest in this property.
Rand Hillview, LLC	11 limited Partnership units				The Receiver is evaluating Chris Moody's interest in this entity.
Screen Test Studios, LLC	150,000 est. units				The Receiver is evaluating Chris Moody's interest in this entity.

Chris Moody's Assets

Asset	Purchase Price or % of Interest Acquired	Share Information	Market Value	Loans/Liens	Status/Disposition
Citi Wifi Networks	150 shares (purchased for $100,000)				The Receiver is evaluating Chris Moody's interest in this entity.
Callahan Energy Partners	1 unit of interest (purchased for $2,500)				The Receiver is evaluating Chris Moody's interest in this entity.

Chris Moody's Assets

Asset	Purchase Price or % of Interest Acquired	Share Information	Market Value	Loans/Liens	Status/Disposition
Receivables / Notes					
iCurie; Celsia Technologies	$24,992				This was a bridge note. The Receiver is evaluating this receivable.
Dennis Fontaine – Rocket Science Labs (RSL Wrist ID); Pet Tattoos & Other Pet Products	2 loans and a note – Note for $50,000 and loans of $140,910.				The Receiver is contemplating the appropriate course to take for collection of these receivables.
Callahan Energy Partners	$50,000				The Receiver believes that $30,000 is still outstanding on this loan and is evaluating the appropriate course of action to take with respect to collection of the outstanding balance.
Respiro, Inc.	$577,500				Chris Moody loaned $577,500 to this company owned by his wife. The company is currently operating and the Receiver is working on recovering the funds loaned to Respiro.
One World Ocean, LLC	$120,500				This limited liability company is a program for fractional ownership in yachts. Chris Moody made a series of loans to Dennis Greers in connection with this company. The Receiver is evaluating these loans.
Collingwood Construction Group	$100,000				Chris Moody loaned Collingwood $100,000. As this company is in bankruptcy, it is unlikely that the Receiver will be able to collect on this loan.
Sea Gate Land	$90,000				The Receiver is contemplating the appropriate course to take for collection of this receivable.