

January 17, 2012

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Re: Proposed GSEC Settlement
Case No: 8:09-cv-87-T-26TBM

I object to the settlement with GSEC (GS) because GS, operating at that time through its subsidiary Shoreline Trading, had a substantial involvement in the fraud by created trading and accounting environments which allowed and necessary resulted in fraud and through its misconduct directly aided and concealed Nadel's fraud. Because GSEC was party to and provided substantive assistance in this fraud I believe their liability should be much greater than \$10M and should rather be required to make the victims whole.

My basis for these claims is personal observation of activities and operation at Scoop Mgmt offices at 1668 Main St during the period April – July 2003, at which time I participated in an informal internship at Scoop's offices trading my own account, with GS, using methods similar and based on methods used by Mr. Nadel. I did not receive any compensation or reimbursement what so ever as part of this internship and never had any direct financial relationship with Scoop Mgmt so until this time my name has not been associated with the case.

While my period of direct observation was short, I believe this was the time when GS, in a drive to fully acquire the Scoop account, provided Mr. Nadel with trading, accounting, and reporting mechanisms which necessarily and knowingly resulted in fraud including the inaccurate allocation of trades to accounts and the extensive use of margin unlawfully secured by retirement account funds (IRAs). In addition it was at this time that, in my opinion, GS employees provided Mr. Nadel a new mechanism which allowed him to falsify month trading records and there by hide actual trading results from Scoop Management personnel and auditors. I further argue that GS provided these accounting methods were

not a normal practice in the industry at the time and were in fact “innovated” by GS employees to win the Scoop Mgmt account and that GS by allowing its personnel to offer and continuing to provide subjective and inaccurate trade accounting was negligent and a proximate cause of the fraud.

They key facts and observations underlying my opinion follow:

- 1) Prior to April 2003 Scoop Mgmt used a number of brokers to execute trades including ScotTrade, Tradestation, Shoreline, and others. Mr. Nadel had increased the number of accounts he traded significantly in the prior year and was evaluating trading platforms and account management features offered by competing brokerages. One key feature demanded by Mr. Nadel was a master account which could be used to execute all trades and was sized (in terms of apparent balance and margin available) based the sum of all fund accounts at the brokerage. Initially none of the available brokerages could provide this within their accounting standards, however GS soon offered this innovation. Under the GS account management environment Mr. Nadel would trade in the master account and allocate trades to the daughter accounts each day. Mr. Nadel was provided the flexibility to select which entrance and exit trades would allocated to funds. This feature not only allowed Mr. Nadel to “cherry pick” entrance and exits combination to be recorded or booked to fund but also allow Mr. Nadel full discretion regarding which fund would receive winning and losing trades. Trades could not be shared between account and as result it was impossible to allocate daily profit and loss equitably between accounts. This accounting practice was inconsistent with industry wide managed account trading practices and GS knew at the time that inexact P&L allocation was occurring and no accounting safeguards were offered or required. These subjective and inaccurate trade accounting frameworks were promoted and authorized by two account executives at GS: Mr. Mike Murray and Mr. Matt Ventura. Both men visited Sarasota together during April or May 2003 and during this time Mr. Nadel moved all of his trading to GS. Both men knew that the trades created in the master account were shared among all the participating funds and knew it was impossible to allocate equally to all the account but allowed and promoted these practices. During this period of time, Mr. Nadel established the trade accounting practices that concealed fraud and which he used until the end. Throughout the period from April 2003 through the discovery of the fraud, GS knowingly allowed and enabled these inequitable trade allocation practices to continue.
- 2) During this time the IT team at Scoop was considering deployment of electronic reporting software which would automatically capture trading results without direct participation of Mr. Nadel. It is not clear if GS has a direct influence on the eventual decision to forego purchase of this software but it is likely that these software could not offer the “flexibility” to manage account provided by GS’ cherry picking based allocation and excel based reporting tools and the availability of such flexibility from GS, while inappropriate and possibly illegal, made other accounting systems which did not violate accounting standards uncompetitive.

- 3) GS provided Mr. Nadel with a mechanism to falsify the monthly results he provided to his accounting staff. During April and May of 2003 Mr. Ventura visited Sarasota several additional times and spent considerable time with Mr. Nadel. While I cannot say what advice Mr. Ventura offered Mr. Nadel, it was during this time that Mr. Nadel adopted a practice of downloading his monthly trading results to a spreadsheet prior to delivering a printed version of that results summary to his staff. I do not believe that Mr. Nadel was falsifying trades actively at this time but I believe during this time he learned how to summarize his trading results as he saw fit using a spreadsheet and print those results with the GS letterhead that was part of the downloaded summary. I suspect Mr. Ventura helped Mr. Nadel discover these reporting features and provided assistance as Mr. Nadel developed the reporting spreadsheets which were eventually used in the fraud. While I do not know the extent to which GS discovered Mr. Ventura's involvement in this fraud, I understand that Mr. Ventura was later terminated by GS for cause.

If the receivership has not thoroughly disposed Mr. Ventura and corroborated his and GS' involvement in the creation of trade accounting methodologies known to be inconsistent with trade accounting standards with the testimony of Scoop Mgmt personnel regarding the events leading , to selecting GS as a prime brokerage in May 2003 it is likely that the receivership has not fully assessed GS' culpability in this fraud.

Respectfully

A handwritten signature in black ink, appearing to read 'Martin Huppert', with a stylized flourish at the end.

Martin Huppert