

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

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,

Relief Defendants.

Case No. 8:09-cv-87-T-26TBM

**PLEASE READ THIS NOTICE AS YOUR
RIGHTS MAY BE AFFECTED**

**NOTICE TO INVESTORS AND OTHERS OF RECEIVER'S MOTION TO APPROVE SETTLEMENT
WITH SHORELINE TRADING GROUP, LLC INCLUDING PROPOSED BAR ORDER**

On March 29, 2012, Burton W. Wiand, as Receiver for *inter alia* certain Defendants and the Relief Defendants (the “**Receiver**”), filed a motion (the “**Motion**”) with the Court for approval of a settlement agreement (the “**Settlement Agreement**”) between the Receiver, on behalf of the entities for which he serves as Receiver (the “**Receivership Entities**”), and Shoreline Trading Group, LLC (“**Shoreline**”). The Settlement Agreement calls for Shoreline to pay to the Receiver \$2,500,000, in accordance with a set payment schedule (for the ultimate benefit of the receivership estate) in exchange for the Receiver’s release of all claims that could have been asserted against Shoreline in an arbitration, including any and all claims, demands, rights, promises, and obligations arising from or related in any way to Shoreline’s involvement with or provision of services to any account, product, fund, entity, or venture established, operated, or controlled by Arthur Nadel or any Receivership Entity, which includes hedge funds Valhalla Investment Partners, L.P.; Viking Fund, LLC; Viking IRA Fund, LLC; Victory Fund, Ltd.; Victory IRA Fund, Ltd.; and Scoop Real Estate, L.P. In addition, the Motion requests that the Court enter an order barring any claims against Shoreline by investors or by potential joint tortfeasors, including claims for contribution or indemnity. A copy of the Motion is available on the Receiver’s website at www.nadelreceivership.com.¹ The Settlement Agreement is attached to the Motion as Exhibit A.

Any objections or other responses to the Motion must: (i) be made in writing; (ii) bear the caption of this case (the “SEC Receivership Action”), including the case number, at the top of the first page; (iii) be signed by the objecting or responding party, or that party’s attorney; (iv) be filed with the Clerk of the Court no later than May 3, 2012; and (v) contemporaneously be served on the Receiver, who will provide copies to the parties in the case. The address of the Clerk of the Court is Sam M. Gibbons U.S. Courthouse, 801 North Florida Avenue, Tampa, Florida 33602. The address of the Receiver is Wiand Guerra King P.L., 3000 Bayport Drive, Suite 600, Tampa, FL 33607. Unless the Court orders otherwise, a public hearing on the Motion will not be held. At any time after May 3, 2012, the Court may rule on the Motion or direct such further proceedings as it deems appropriate.

¹ If you do not have internet access or are otherwise unable to retrieve a copy of the Motion, please contact the Receiver’s counsel.

EXHIBIT A

The following sections summarize the background of the settlement with Shoreline and the terms of the Settlement Agreement.

The Receiver's Investigation Of Arthur Nadel And Shoreline

The Receiver's investigation has revealed that Nadel used certain financial institutions in connection with his Ponzi scheme. One such institution, Shoreline, was an introducing Broker/Dealer that dealt directly with Nadel's and certain Receivership Entities' securities transactions. Shoreline's brokerage transactions were cleared by Goldman Sachs Execution & Clearing, LLC ("GSEC"). The Receiver gathered information relating to these transactions and contacted Shoreline to discuss its role in providing such services to Nadel and Receivership Entities. Shoreline cooperated with the Receiver and, in fact, produced a large volume of documents, was responsive to all requests for documents made by the Receiver over time, and promptly accommodated the Receiver's requests to speak with the Shoreline registered representative who had primary responsibility for the Nadel relationship. Further, in October 2010, Shoreline entered into a tolling agreement, at the Receiver's request, so the parties could fully investigate matters and work to resolve them in an amicable fashion without concern for applicable statutes of limitation.

The Receiver's investigation revealed information indicating to the Receiver that Shoreline may have failed to appropriately respond to certain "red flags" that could have revealed Nadel's scheme, and that it may have failed to raise certain questions with respect to accounts controlled by Nadel. Based upon those findings, the Receiver concluded that it was appropriate to seek compensation for the Receivership estate from Shoreline.

Shoreline has maintained, and continues to maintain, that its conduct was in no way inappropriate and that it did not fail to comply with its duties and obligations. However, due to practical concerns and a desire to resolve what could be a protracted dispute resolution process, Shoreline determined early on to attempt to negotiate a resolution to the Receiver's claims to avoid the obvious expense, disruption, and risk that would be caused by protracted litigation.

The Receiver's Negotiations With Shoreline And Settlement Considerations

Once the Receiver and Shoreline had exchanged significant amounts of information and had communicated their various views with respect to Shoreline's potential liability, the Receiver's and Shoreline's counsel engaged in negotiations with respect to the specifics of a potential resolution of their dispute. These negotiations focused on potential liability, defenses, risk to the parties, the potential valuation of the Receiver's claims, as well as the Receiver's ability to collect on any potential judgment.

In deciding to accept \$2,500,000 from Shoreline in resolution of all claims, the Receiver considered a number of significant factors. Among these considerations, first the Receiver considered his ability to collect on any potential judgment against Shoreline. Shoreline provided its Focus Report dated December 2011 to the Receiver, which reveals that it has a total net capital of \$2,454,019. That amount essentially is the amount by which Shoreline's liquid assets exceed its liabilities. The Settlement Amount is slightly greater than Shoreline's net capital. Further, Shoreline has no applicable insurance and it is unlikely that a litigated result in favor of the Receiver, and the substantial expense the Receivership Estate would incur to reach such a result, could yield a larger recovery.

Second, the Receiver considered the potential value of his claims against Shoreline. The Receiver could have attempted to hold Shoreline responsible for its portion of all investor losses arising from Nadel's scheme, which amount is approximately \$168 million, according to Shoreline's comparative fault. In addition, the Receiver considered the amount of money that Nadel transferred from Relief Defendants' accounts at Shoreline to outside accounts at another financial institution. The amount of such transfers is approximately \$10 million. These transfers allowed Nadel to perpetrate and perpetuate his Ponzi scheme. The Receiver contends that such transfers were improper and that Shoreline did not follow relevant guidelines and internal policies and procedures applicable to third-party transfers. Finally, the Receiver considered the fees and margin interest that Shoreline earned for providing clearing services to Relief Defendants. In that regard, Relief Defendants paid approximately \$13.5 million in fees and interest to GSEC and Shoreline, collectively.

Further, litigation of claims against Shoreline could easily cost the Receivership in excess of \$1 million and would in no way guarantee the significant benefit to the Receivership estate that will occur as a result of the

settlement reached with Shoreline. As such, it is the Receiver's opinion the amount of this settlement constitutes an appropriate resolution in light of the potential liability that Shoreline might have as a result of its involvement with any accounts controlled by Nadel, given the applicable claims, defenses, risks, and ability to collect on a judgment.

The Terms Of The Settlement Agreement

In exchange for the settlement payment of \$2,500,000, which will be paid in accordance with a set payment schedule, the Settlement Agreement contains the following terms required to provide assurances of finality:

1. Upon receipt and clearing of the settlement payment, the Receiver, on behalf of the Receivership Entities and their present and former employees, agents, representatives, beneficiaries, investors, creditors, and assigns, shall be deemed to have released and forever discharged Shoreline, its parents, subsidiaries, and affiliates, and their respective present and former officers, directors, employees, shareholders, principals, partners, members, managing members, member managers, agents, successors, and assigns of and from any and all claims which could have been asserted in the Arbitration, as well as any and all other claims, demands, rights, promises, and obligations arising from or related in any way to Shoreline's involvement with or provision of services to any account, product, fund, entity, or venture established, operated, or controlled by Arthur Nadel, Neil Moody or any of the Receivership Entities or the allegations of the SEC Receivership Action.
2. Upon the Receiver's receipt and clearing of the full settlement payment, Shoreline shall be deemed to have waived any claim that it had, has, or hereafter may have against the Receiver and/or any Receivership Entity relating to Shoreline's involvement with any account, product, fund, entity, or venture established, operated, or controlled by Arthur Nadel or any Receivership Entity or the allegations of the SEC Receivership Action.
3. The Receiver will request that in any order granting the Motion, the Court order that all individuals or entities who invested money in a Receivership Entity, as well as all persons or entities who may have liability to the Receiver, the Receivership Entities, or such investors arising or resulting from the fraudulent scheme underlying the SEC Receivership Action, together with their respective heirs, trustees, executors, administrators, legal representatives, agents, successors and assigns, are permanently enjoined and barred from commencing or pursuing a claim, action, or proceeding of any kind and in any forum against Shoreline that arises from or relates to the brokerage services that Shoreline performed for Receivership Entities, including the Relief Defendants, or the allegations of the SEC Receivership Action.
4. Shoreline will agree to continue to cooperate reasonably with the Receiver's efforts to gather information and otherwise fulfill his Court-ordered obligations imposed in this action, including by providing additional information relating to entities placed in receivership in this case which the Receiver may request through document requests or other discovery tools available to the Receiver under applicable laws and rules.

Should you have any questions or require further information concerning the proposed settlement terms or the process for submitting a response to the Receiver's Motion, please contact the Receiver's counsel, Jared Perez, either by email at jperez@wiandlaw.com or by telephone at (813) 347-5100. Please take note that all responses concerning the Receiver's motion must be filed with the Court on or before May 3, 2012.

Dated: March 29, 2012

s/Burton W. Wiand

Burton W. Wiand, as Receiver