



*United States Attorney
Southern District of New York*

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**FORMER HEDGE FUND MANAGER ARTHUR G. NADEL
PLEADS GUILTY IN MANHATTAN FEDERAL COURT
TO A MASSIVE PONZI SCHEME**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that ARTHUR G. NADEL pleaded guilty today before United States District Judge JOHN G. KOELTL to fifteen counts of securities fraud, mail fraud, and wire fraud.

According to the Complaint and Indictment previously filed in this case and statements made during NADEL's guilty plea:

From 1999 through January 2009, NADEL perpetrated a Ponzi scheme to defraud investors in six different investment funds (collectively the "Funds"). During the scheme, NADEL persuaded people to invest their retirement money and savings in the Funds by lying to them about his success in trading and inflating the value of the Funds. For example, NADEL claimed that his trading prowess resulted in consistent, double-digit yearly returns. In reality, NADEL repeatedly lost money and stole investor money to fund his lifestyle and several businesses, including a real estate project in North Carolina, his wife's flower shop, and his purchase of several private planes.

To further the scheme, NADEL created and caused others to create false and fraudulent client account statements and other documents showing fictitious positive returns consistent with the double-digit returns NADEL falsely claimed he achieved. Based in part on NADEL's false statements to investors and others, from 1999 through January 2009, nearly 250 people invested more than \$397 million with the Funds. NADEL received tens of millions of dollars in management fees and performance incentive fees and, moreover, transferred and caused to be transferred millions of dollars in investor money in the Funds to accounts and entities that he owned and/or controlled. The investors in the Funds did not authorize NADEL to make these

transfers, and NADEL failed to disclose them. As a result of NADEL's Ponzi scheme, investors suffered losses of approximately \$162 million.

NADEL pleaded guilty to six counts of securities fraud, one count of mail fraud, and eight counts of wire fraud, and faces a maximum penalty of 20 years in prison on each of the counts. For the securities fraud charges, NADEL faces a maximum fine of the greater of \$5 million or twice the gross gain or loss from the offense. For the mail fraud and wire fraud charges, NADEL faces a maximum fine of the greater of \$250,000, or twice the gross gain or less from the offense. In addition, NADEL admitted to allegations in the Indictment seeking forfeiture.

NADEL, 77, of Sarasota, Florida is scheduled to be sentenced by Judge KOELTL on June 11, 2010.

U.S. Attorney PREET BHARARA said, "Arthur Nadel cheated his victims out of hundreds of millions of dollars of their retirement money and savings by lying to them over and over again and claiming false returns and profits. Many of Nadel's victims were elderly and relied on the money that they invested in Nadel's funds for their retirement. While he deceived and impoverished others, Nadel funded a luxurious life for himself and his associates. Today's guilty plea is a significant step in our ongoing effort to bring justice to victims of investment fraud and Ponzi schemes."

Mr. BHARARA praised the investigative work of the Federal Bureau of Investigation and thanked the United States Securities and Exchange Commission for its assistance in the investigation of this case.

Assistant United States Attorneys REED M. BRODSKY and MARIA E. DOUVAS are in charge of the prosecution.

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