

**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,

CASE NO.: 8:09-cv-0087-T-26TBM

SCOOP REAL ESTATE, L.P.,
VALHALLA INVESTMENT PARTNERS, L.P.,
VALHALLA MANAGEMENT, INC.,
VICTORY FUND, LTD,
VIKING IRA FUND, LLC,
VIKING FUND, LLC, AND
VIKING MANAGEMENT, LLC.

Relief Defendants.

**RECEIVER'S DECLARATION IN SUPPORT OF
THE SECURITIES AND EXCHANGE COMMISSION'S OPPOSITION TO THE
AMENDED MOTION FOR PAYMENT OF REASONABLE ATTORNEYS' FEES**

Burton W. Wiand declares as follows:

1. I am an attorney with Fowler White Boggs P.A. ("Fowler White") in Tampa, Florida.
2. In the January 21, 2009, Order Appointing Receiver (Doc. 8), the Court appointed me Receiver over (a) defendants Scoop Capital, LLC ("Scoop Capital") and Scoop Management, Inc. ("Scoop Management") and (b) relief 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 (Scoop Real Estate, Valhalla Investment, Victory IRA, Victory Fund, Viking IRA, and Viking Fund are collectively referred to as the “Hedge Funds;” Scoop Capital, Scoop Management, Valhalla Management, and Viking Management are collectively referred to as the “Investment Managers.”).

3. In a January 27, 2009, Order (Doc. 17), the Court also appointed me Receiver over Venice Jet Center, LLC, and Tradewind, LLC.

4. In a February 11, 2009 Order (Doc. 44), the Court also appointed me Receiver over Laurel Mountain Preserve, LLC; Laurel Preserve, LLC; the Marguerite J. Nadel Revocable Trust UAD 8/2/07; and the Laurel Mountain Preserve Homeowners Association, Inc.

5. In a March 9, 2009, Order (Doc. 68), the Court also appointed me Receiver over the Guy-Nadel Foundation, Inc.

6. In a March 17, 2009, Amended Order (Doc. 81), the Court also appointed me Receiver over Lime Avenue Enterprises, LLC, and A Victorian Garden Florist, LLC (d/b/a Mr. Florist A Victorian Garden). The entities in receivership are referred to collectively as the “Receivership Entities.”

7. Since my appointment as Receiver, I and professionals that I have retained (including lawyers and an accountant) have continued our investigation, which has included communicating with people associated with Nadel and/or the Receivership Entities and persons responsible for maintaining the financial books of Receivership Entities and of other

businesses controlled by Nadel; operating businesses controlled by Nadel or for assisting those businesses with their activities; performing accounting services; and administering the Hedge Funds.

8. We have also reviewed documents located in the offices of the Hedge Funds and Investment Managers (the "Office") (located at 1618 Main Street, Sarasota, Florida 34236); documents obtained from the accountant for Receivership Entities; information stored on Receivership Entities' computer network; documents obtained from other businesses controlled by Nadel; documents obtained from financial institutions and other third parties, including lawyers and others who assisted Nadel's businesses with their transactions; and information available in the public record.

9. In particular, we have reviewed (i) records that had been maintained by employees of Scoop Management using Quickbooks software; (ii) tax returns prepared by an accountant for years prior to 2008; and (iii) records that had been maintained using hedge fund management software, Advent. Our analysis indicated that the Quickbooks data is consistent with the tax returns and that all of the data is consistent on a global basis with fees reflected by the Advent software.

The Fraudulent Investment Scheme

10. On January 26, 2009, I submitted the Receiver's Declaration in Support of the Receiver's Unopposed Motion to Expand the Scope of Receivership (the "Receiver's January Declaration") (Doc. 16).

11. As shown in the Receiver's January Declaration and in Plaintiff's Emergency Motion and Memorandum of Law in Support of Temporary Restraining Order and Other

Emergency Relief (the “SEC Emergency Motion”) (Doc. 2) and supporting papers, Nadel defrauded investors in the six Hedge Funds from at least 2003 (and likely earlier) through the time he fled in January 2009 by “massively overstating the value of investors’ interests in them.” (SEC Emerg. Mot. at 2, 6.) Specifically, from at least 2003 through 2008, the value of the Hedge Funds as represented to investors was significantly overstated. The investment returns and performance as represented to investors were based on the overstated numbers and thus were also false.

12. Our investigation has revealed that for each Hedge Fund, the fund’s performance as disclosed to investors was based mainly on money and trading results that Nadel purported to have in two accounts: a brokerage account cleared through Goldman Sachs Group, Inc. (in which money was purportedly traded to generate the purported returns Nadel was yielding) and a bank account (from which purported distributions and purported redemptions were apparently paid). (While the disclosed performance of some funds at times also took into account investments purportedly held in other accounts, the value of those purported investments did not meaningfully impact the analysis in the table below – the overwhelming majority of the purported trading was supposed to take place in the Goldman Sachs brokerage accounts).

13. Below is a table comparing actual values of the Hedge Funds to the values as represented to investors. Specifically, for each year-end from 2003 to 2007, the table lists the actual value of the brokerage account of each Hedge Fund (identified as “Actual Brokerage”) and the actual value of the bank account of each Hedge Fund (identified as “Actual Bank”). The actual values of each fund for each analyzed time period are added to determine the

actual total value of the Hedge Funds as of December 31st; that value is identified in the row labeled "Total Actual Value." Finally, the last row, labeled "Value Represented to Investors," identifies the collective value of the funds as of December 31st of each year analyzed in the table as represented to investors and as used by the Hedge Funds and Investment Managers to compute fees, returns, and other variables.

	Value as of 12/31/03 (\$)	Value as of 12/31/04 (\$)	Value as of 12/31/05 (\$)	Value as of 12/31/06 (\$)	Value as of 12/31/07 (\$)
Scoop Real Estate					
Actual Brokerage	fund not in existence	16,670,254.69	20,435,896.75	17,597,319.95	2,689,054.53
Actual Bank		2,595,096.26	2,568,381.69	202,116.95	1,443,406.92
Victory Fund					
Actual Brokerage	22,680,904.69	23,848,019.27	23,324,285.51	7,890,073.11	2,586,116.58
Actual Bank	3,672,956.54	2,051,485.25	724,809.85	326,132.15	551,836.41
Victory IRA					
Actual Brokerage	5,898,125.28	13,070,558.97	17,746,441.12	9,981,754.77	1,096,190.22
Actual Bank	283,477.20	1,733,770.80	2,223,265.61	325,675.56	178,009.43
Valhalla Investment					
Actual Brokerage	8,448,343.09	19,448,979.03	14,249,335.95	7,017,679.33	3,429,805.83
Actual Bank	576,760.49	3,391,544.40	3,027,125.65	406,661.65	13,281.47
Viking Fund					
Actual Brokerage	23,411,778.98	33,375,622.75	25,983,502.33	10,054,454.11	2,036,992.89
Actual Bank	1,382,193.93	5,184,911.26	2,112,871.29	185,311.70	1,583,671.26
Viking IRA					
Actual Brokerage	14,172,117.08	18,767,696.52	19,787,093.85	9,539,919.21	1,738,703.93
Actual Bank	293,720.78	2,935,428.03	548,977.10	187,995.90	695,791.20
TOTAL ACTUAL VALUE	80,820,378.06	143,073,367.23	132,731,986.70	63,715,094.39	18,042,860.67
VALUE REPRESENTED TO INVESTORS	128,953,973.27	216,868,604.46	274,387,098.31	282,379,592.45	313,960,110.28

14. As the previous table shows, for 2003 through 2007 (and, as shown by the SEC, also in 2008), the value of the Hedge Funds as represented to investors was

significantly overstated. The investment returns and performance as represented to investors were based on the overstated numbers and thus were also false.

15. As shown by the SEC, Nadel defrauded investors through his control of the Hedge Funds' advisers and managers, Scoop Capital and Scoop Management, which are now in receivership. (SEC Emergency Motion at 4-6.) Through those entities, Nadel was ultimately responsible for controlling the Hedge Funds' investment activities.

The Results Of Nadel's Scheme

16. Based on the information reviewed to date, including the Advent software used by the Hedge Funds, \$397,276,239.83 was raised by the Hedge Funds from investors.

17. Further, that information indicates that investors' losses from their investment in the Hedge Funds are approximately \$168,738,671.00.¹

The Money Left In Accounts Controlled By Nadel

18. Based on the information reviewed to date, the balances in the financial accounts titled in the name of Hedge Funds and Investment Managers at the time this receivership was commenced were as follows:

Name on Account(s)	Amount
Scoop Management	\$28,103.40
Scoop Capital	22,956.63
Valhalla Management	7,306.87
Viking Management	8,897.25
Scoop Real Estate	139,644.50
Victory Fund	83,832.57

¹ The information reviewed to date also shows that a group of investors had collective gains of over \$50 million, and I have begun the process of trying to recover that money for the benefit of the receivership estate.

Name on Account(s)	Amount
Victory IRA Fund	131,139.52
Valhalla Investment Partners	16,458.07
Viking Fund	65,708.33
Viking IRA Fund	67,285.24
TOTAL	\$571,332.38

19. In addition, based on the information reviewed to date, the balances in the financial accounts titled in the name of other Receivership Entities at the time the entities were brought into this receivership were as follows:

Name of Account(s)	Amount
Venice Jet Center	\$80,705.91
Tradewind	77,782.72
Laurel Mountain Preserve	5,303.03
Laurel Preserve	22,773.57
Guy-Nadel Foundation	56,807.70
Marguerite J. Nadel Revocable Trust	380,346.21
Lime Avenue Enterprises, LLC	1,703.89
TOTAL	\$625,423.03

“Fees” Paid By The Hedge Funds To Scoop Management And Scoop Capital

20. Evidence also showed that the Hedge Funds directly or indirectly paid substantial fees to Scoop Capital and Scoop Management, and to other Receivership Entities, in the form of management, advisory, and/or profit incentive fees. According to the Hedge Funds’ documents, in 2003 the Hedge Funds paid a total of \$7,045,509.31 in fees; in 2004, they paid \$14,156,501.17 in fees; in 2005, they paid \$20,349,897.02 fees; in 2006 they paid

\$18,257,590.52 in fees; in 2007 they paid \$19,873,365.00 in fees; and in 2008 they paid \$15,854,930.76 in fees.

21. Specifically, according to Scoop Management's Profit and Loss Statement for the period from 2003 to 2008, Scoop Management received the following fees from the Hedge Funds: \$39,670,763.24 in "Incentive Fees;" \$19,065,409.19 in "Management Fees;" and \$1,930,000 in "Office Fees." In other words, Scoop Management received a total of \$60,666,172.43 in fees from the Hedge Funds between 2003 and 2008.

22. Also according to Scoop Management's Profit and Loss Statement, Scoop Management paid a portion of those fees to others. The amount paid was \$23,183,680.84, but \$6,040,566.83 of that amount was paid to another Receivership Entity formerly controlled by Nadel, Scoop Capital.

23. In sum, Scoop Management kept \$37,482,491.59 in fees from the Hedge Funds between 2003 and 2008, and an additional \$6,040,566.83 of the fees it received were transferred to Scoop Capital.

**Money Transferred By Scoop Management And
Scoop Capital To The Nadels And For Nadel's Benefit**

24. As of December 31, 2008, according to the Balance Sheet for Scoop Management, Scoop Management had transferred \$6,761,000 to Nadel, \$5,090,000 to Nadel's wife, Marguerite "Peg" Nadel, and an additional \$5,326,896.56 jointly to Nadel and his wife. These amounts are in addition to the amounts Mrs. Nadel received from Scoop Management as compensation.

25. Scoop Management also had transferred \$6,433,804.40 to other entities controlled by Nadel.

26. Also as of December 31, 2008, according to the Balance Sheet for Scoop Capital, it had transferred at least \$1,300,000 to Nadel. It also had transferred \$6,293,637.12 to other entities controlled by Nadel.

Non-Cash Assets in Receivership

27. The receivership has come into possession of various non-cash assets. Those assets include: undeveloped land (14 acres in Thomasville, Georgia, and approximately 430 acres in Buncombe and McDowell counties, North Carolina); commercial real estate property (a building rented by Rite-Aid Pharmacy in Graham, North Carolina; a building rented by Electronic Data Systems in Raleigh, North Carolina; a building rented by Starbucks Corporation in Tupelo, Mississippi; a building rented by a florist in Sarasota, Florida; and a lot rented by a Shell gas station in Newnan, Georgia); private airport hangars located in Newnan, Georgia; a jet center located in Venice, Florida; a majority interest in a company that is in the pre-fabricated homes business; six aircrafts; three vehicles; and office furniture, office fixtures, computers, and miscellaneous supplies.

28. Although not all of these assets have been appraised, based on the information I have to date, I would estimate their value at roughly \$23,000,000. This is a rough estimate and is subject to change. Many of these assets are encumbered by loans, and the value of those loans exceeds \$12,000,000.

No Other Source Of Income For The Nadels

29. To date we have not uncovered any source of income for Nadel or his wife that was not in some manner funded with money from the scheme (whether through "management fees" or otherwise). Discussions with Nadel's wife and others have confirmed

that, during the time one or more of the Hedge Funds and Investment Managers were in operation (i.e., beginning in at least 1999), essentially all of Nadel and Mrs. Nadel's income was derived directly from those entities.

30. As detailed in the Receiver's January Declaration and the SEC Emergency Motion, the Hedge Funds and Investment Managers were operated as part of a fraudulent scheme from at least 2003 forward. As such, the source of Nadel and Mrs. Nadel's income during that period was Nadel's scheme.

31. Consistent with the Nadel's lack of any income that was not related the Nadel's scheme, all of the assets that we have located and brought within this receivership were funded with proceeds of the scheme. To the extent any asset were somehow funded with money that was completely unrelated to the scheme, that asset would have to be insignificant.

Conclusion

32. Allowing Nadel to use any of the money or other assets that are under my control as part of this receivership to finance his legal defense would decrease dollar-for-dollar the money and assets available to repay the investors (and other creditors) who suffered enormous losses because of Nadel's unlawful activities. In other words, it would allow Nadel to inflict even greater damage on those investors.

I declare under the penalty of perjury that the foregoing is true and correct and is executed this 18th day of March, 2009.



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