

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

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

ARTHUR NADEL, SCOOP CAPITAL,
LLC, SCOOP MANAGEMENT, INC.,

Defendants.

**CERTAIN ARBITRATION RESPONDENTS'¹
JOINDER IN WORLD OPPORTUNITY FUND'S OBJECTION TO
RECEIVER'S MOTION "TO CLARIFY CERTAIN SETTLEMENT ORDERS"**

The Arbitration Respondents, by and through the undersigned counsel and without waiver of their right to have the claims asserted against them by Burton W. Wiand (“**Wiand**”), as receiver, and any defenses thereto, determined in arbitration proceedings, hereby file this joinder (the “**Joinder**”) and respectfully join and adopt the arguments made in World Opportunity Fund’s Objection to Receiver’s Motion “To Clarify Certain Settlement Orders” filed in the above-referenced case (Doc. No. 973) and attached hereto as Exhibit “B.”

Wiand has been compelled by this Court to arbitrate his claims against the Arbitration Respondents under the Viking Fund, LLC, Viking IRA Fund, LLC, or the Victory Fund, Ltd. operating agreements and subscription documents (“**Wiand’s Claims**”). *See, e.g., Wiand v.*

¹ A complete list of the Arbitration Respondents, the case numbers in which they were named as defendants, and the funds they invested in is attached hereto as Exhibit “A.” Wiand filed claims against each of the Arbitration Respondents in separate actions in this Court, which were subsequently compelled to arbitration.

Roby, 8:10-cv-71, Doc. Nos. 49 (Order adopting R&R and ordering arbitration), 60 (Court of Appeals order dismissing appeal), 61 (Order adopting R&R and denying interlocutory appeal) (M.D. Fla.).²

Wiand has initiated arbitration proceedings against only two of the Arbitration Respondents, John D. Whitlock (“**Mr. Whitlock**”), individually, and Mr. Whitlock and Thomas Luck, as co-trustees of the Edward J. Whitlock, Jr. Marital Trust Two, who invested in Victory Fund, Ltd (“**Victory**”). Wiand has not initiated arbitration proceedings against the remaining Arbitration Respondents who invested in Viking Fund, LLC (“**Viking**”) or Viking IRA Fund, LLC (“**Viking IRA**”).

With respect to the motion filed by Wiand currently pending before this Court, the significant distinction between the Arbitration Respondents and World Opportunity Fund, LP is that Wiand’s claims against World Opportunity Fund, LP are based on its investment in Valhalla Investment Partners LP, whereas Wiand’s Claims against the Arbitration Respondents are based on their investments in Viking, Viking IRA, and Victory.

Although the Arbitration Respondents have not formally appeared, are not parties to, are not named in the complaint, and have not been served with process under Federal Rule of Civil Procedure 4 in this action by the SEC, the Receiver’s Motion to Clarify Certain Settlement Orders (Doc. No. 966) affects the Arbitration Respondents’ right to have Wiand’s Claims decided in arbitration and violates Judge Kovachevich’s stay order by asking this Court to issue an order determining the merits of the Arbitration Respondents’ potential defense in the arbitration proceedings or by seeking this Court to impermissibly alter a final

² Each of these orders was entered in each of the actions filed by Wiand in this Court against the Arbitration Respondents as listed in Exhibit A.

and non-appealable settlement orders. By filing this Joinder, the Arbitration Respondents do not waive their rights to have Wiand's Claims and any of the Arbitration Respondents' defenses thereto to be decided outside of arbitration.

Wiand seeks to recover funds from the Arbitration Respondents based on their investment in Viking, Viking IRA, or Victory in 2003 and the redemption of their investments pursuant to the terms of the applicable fund operating agreements in full beginning in 2004 and ending in the Spring of 2006.³ According to company documents, Viking, Viking IRA, and Victory invested in securities throughout their existence—including making investment gains and losses as described in Wiand's various reports to this Court. For example, by Wiand's own calculations of the funds' *actual* returns from 2003-2005 (when the Arbitration Respondents were invested in Viking), Viking showed returns of 29.52% in 2003, -5.97% in 2004 and 3.20% in 2005; Viking IRA showed returns of 55.07% in 2003, 5.84% in 2004, and 2.89% in 2005; and Victory showed 63.59% in 2003, 3.96% in 2004, and 1.45% in 2005. (Doc. No. 540 at 19.) Wiand's Claims involve questions regarding Wiand's ability to compel the return of funds distributed to the Arbitration Respondents by Viking, Viking IRA, or Victory. Wiand's Claims and any defenses, including whether the Arbitration Respondents are entitled to judgment credit based on final settlement and bar orders, are subject to arbitration.

The Arbitration Respondents fully adopt and incorporate into this Joinder the Argument and Citation of Authorities in World Opportunity Fund's Objection to Receiver's

³ The majority of the Arbitration Respondents withdrew their investments in 2004 and the Spring of 2005. Only two distributions were made in 2006 and they were to Rodney Turner after he redeemed the majority of his investment in 2005.

Motion “To Clarify Certain Settlement Orders.” In sum, if Wiand is asking this Court to substantively change the final judgment entered as part of the Court’s prior approval of the bar orders, such a request is: (1) untimely, (2) alters the rights of the settling defendants without their consent to the relief, and (3) operates to deprive the Arbitration Respondents of their right to either a judgment credit or a claim against the settling defendants. If Wiand is asking the Court to determine the legal consequences of those judgments, then that motion is also improper because: (1) the determination of the consequences of a bar order is for an arbitrator with jurisdiction over the parties and their claims and defenses; (2) this Court lacks jurisdiction over the dispute between Wiand and the Arbitration Respondents and any such opinion would be advisory; and (3) the motion violates the stay order of this Court related to the litigation of the merits *qua non* of Wiand’s Claims. Under either construction of the Receiver’s Motion to Clarify Certain Settlement Orders, however, this Court cannot grant Wiand the relief he seeks.

For the reasons stated herein and in World Opportunity Fund’s Objection to Receiver’s Motion “To Clarify Certain Settlement Orders,” the Arbitration Respondents respectfully request that this Court abstain or deny the Receiver’s Motion to Clarify Certain Settlement Orders so that the issue presented can be addressed in the appropriate arbitration proceedings when applicable.

Dated: Tampa, Florida
February 19, 2013

Respectfully submitted,

By: /s/ Jeffrey W. Warren
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on February 19, 2013, I electronically filed a true and correct copy of the foregoing Certain Arbitration Respondents' Joinder in World Opportunity Fund's Objection to Receiver's Motion "To Clarify Certain Settlement Orders" with the Clerk of the United States District Court for the Middle District of Florida by using the CM/ECF system which will automatically send email notification of such filing sufficient to constitute service to all attorneys of record in this case.

/s/ Jeffrey W. Warren
ATTORNEY

EXHIBIT A

DEFENDANT/ARBITRATION RESPONDENT	CASE NUMBER	INVESTMENT FUND
Peter Roby and Katherine Roby	8:10-cv-00071	Viking Fund, LLC
Charles A. Hailey	8:10-cv-00096	Viking Fund, LLC
Gregg Weinberg, as Trustee of the Commonwealth Radiology, PC Profit-Sharing Plan	8:10-cv-00097	Viking Fund, LLC
Louis Wang	8:10-cv-00112	Viking IRA Fund, LLC
John D. Whitlock	8:10-cv-00119	Victory Fund, Ltd.
Rodney Nigel Turner	8:10-cv-00123	Viking Fund, LLC
W. W. Whitlock Foundation	8:10-cv-00125	Viking Fund, LLC
Paul Swenson	8:10-cv-00134	Viking IRA Fund, LLC
Harvey A. Gilbert and Deanne E. Gilbert, as Co-Trustees of the Gilbert Family Trust	8:10-cv-00171	Viking Fund, LLC
John D. Whitlock, as Trustee of the W.W. Whitlock PC Pension Trust	8:10-cv-00180	Viking Fund, LLC
John Whitlock and Thomas Luck, as Co-Trustees of the Edward J. Whitlock, Jr. Marital Trust Two	8:10-cv-00184	Victory Fund, Ltd.
Melinda Munson and Mark Munson	8:10-cv-00206	Viking IRA Fund, LLC
Munson Family Partners, Ltd.	8:10-cv-00221	Viking Fund, LLC

EXHIBIT B

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION**

SECURITIES AND EXCHANGE)	
COMMISSION,)	
)	
Plaintiff,)	
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v.)	
)	CASE NO.
ARTHUR NADEL, SCOOP CAPITAL,)	8:09-CV-87-T-26TBM
LLC, SCOOP MANAGEMENT, INC.,)	
)	
Defendants.)	

**WORLD OPPORTUNITY FUND’S OBJECTION TO RECEIVER’S MOTION
“TO CLARIFY CERTAIN SETTLEMENT ORDERS”**

Pursuant to the Court’s order dated February 15, 2013 [Dkt. 968] and without waiver of its right to have the Receiver’s claims determined by a panel of three AAA arbitrators, World Opportunity Fund LP (“WOF”) respectfully files this objection to the relief sought by the Receiver in his motion to “clarify” certain settlement orders.

As an initial matter, WOF objects to these proceedings to the extent that they supplant WOF’s right to have the Receiver’s claims decided in arbitration. The Receiver is collaterally estopped from thrice litigating this issue, having lost his plea to avoid arbitration in the case pending before Judge Kovachevich (*Wiand v. World Opportunity Fund, LP*, Case No. 8:10-cv-203-EAK-MAP) and again before a panel of three arbitrators convened by the American Arbitration Association. In fact, the Receiver is presently in violation of Judge Kovachevich’s stay order by asking this Court to issue an order determining the merits of a defense asserted by WOF in the arbitration proceeding commenced by the Receiver. By responding in this case, WOF does not waive its rights

to have the matters that have been fully briefed, with the Receiver's consent, to an arbitration panel decided by anyone other than that panel.

FACTUAL BACKGROUND

The Receiver seeks to recover funds from WOF based on its investment in Valhalla Investment Partners LP ("Valhalla"), which was founded in 1999 by Neil Moody as a Delaware limited liability partnership. Valhalla Management, Inc. was founded in the same year by Neil Moody as a Florida corporation for the purpose of being Valhalla's general partner. The Receiver admits that Neil Moody (and his son Chris) were the only principals at Valhalla and Valhalla Management.

At some point, but not earlier than 2001, Valhalla began to obtain investment advisory services from Scoop Management, a Florida corporation, whose principal was Arthur Nadel. Mr. Nadel was never an officer, director, principal, or partner in either Valhalla or Valhalla Management. Mr. Nadel pled guilty to securities fraud and wire fraud in connection with the services he rendered to Valhalla, among other hedge funds, which were formerly relief defendants in this action.

But Valhalla was different than other hedge funds in the alleged scheme, because of the continuing control exerted over the fund by the Moodys during the period of the alleged fraud and because of Valhalla's actual performance. According to company documents, Valhalla invested in securities throughout its existence—including making investment gains and losses as described in the Receiver's various reports to this Court. For example, by the Receiver's own calculations of Valhalla's *actual* returns from 2003 through 2007 (when WOF exited Valhalla), the fund showed returns of 110.84%, 9.39%,

3.85%, -0.64%, and 7.3%, or approximately 130% over those five years. Receiver's Seventh Interim Report [Dkt. 540] at 19. The claims asserted by the Receiver involve questions regarding the Receiver's ability to compel the return of funds distributed to WOF by Valhalla. Those claims are subject to arbitration as further discussed herein.

The Receiver initially sought to litigate his claims against WOF. Twice adopting reports and recommendations made by Magistrate Judge Pizzo, this Court—through Judge Kovachevich—granted WOF's motion to compel arbitration and, importantly for this motion, stayed continued litigation regarding the Receiver's claims and WOF's defenses. The parties were ordered to resolve their dispute in arbitration. *See Wiand v. WOF*, Case No. 8:10-cv-203-EAK-MAP, Dkt. 49 (M.D. Fla.).

Once in arbitration, the parties conferred through counsel regarding the most efficient means to proceed through the arbitration.¹ The Receiver suggested that he wished to test the arbitration panel's jurisdiction. WOF disagreed with the Receiver's position but agreed that it would be more efficient to resolve jurisdictional issues early in the case. WOF also proposed that the arbitration panel hear WOF's argument that a judgment credit was due under the bar orders signed by this Court and that such credits would preclude a need for a hearing on the merits. The Receiver agreed that having the judgment-credit issue decided early made sense and *consented to the briefing and*

¹ The panel assigned by the American Arbitration Association is composed of three, experienced litigators in the Chicago area: William Deitrick (chairman of arbitration panel and former partner at Mayer Brown), Robert Byman (partner at Jenner & Block and lead counsel for the Examiner in the Lehman Bankruptcy), and Gordon Nash (partner at Drinker Biddle and former chief of special prosecutions for the U.S. Attorney's Office for the Northern District of Illinois). The qualifications and abilities of this arbitration panel are beyond criticism or reproach.

resolution of this issue by the arbitration panel before moving to the merits of the claims. In January 2013, the arbitration panel denied the Receiver's jurisdictional motion and set WOF's motion for a judgment credit for a hearing on February 22, 2013. *See* Ex. A, AAA Order regarding Jurisdiction. Thus, the judgment-credit issue, which is asserted as a defense by WOF to the Receiver's claims, is fully briefed and awaiting ruling by a panel of three senior litigators in Chicago, Illinois.²

In tacit acknowledgment of the merits of WOF's arguments regarding its entitlement to a judgment credit, the Receiver now asks the Court to "clarify" settled, final judgments of this Court. Those judgments are not ambiguous, were proposed by the Receiver himself (together, as negotiated documents, by the Settling Defendants), and were vetted and challenged by certain clawback defendants at the time that the judgments were entered.³ The final judgments entered by this Court in connection with the settlements by Goldman Sachs and Holland & Knight were not pro forma documents—they were documents negotiated by parties with competent counsel, challenged in an adversarial process, and reviewed and signed by this Court. In fact, the Receiver both drafted these final judgments and defended them from challenge before this Court. He should not now be heard to argue that he does not like their contents.

² The judgment-credit defense is more fully described herein. The Receiver settled claims by the relief defendants (and individual investors) against Goldman Sachs, Holland & Knight, and Shoreline Trading (collectively, the "Settling Defendants"). In those settlements, claims against the Settling Defendants by non-parties were barred in exchange for judgment credits.

³ The Receiver argued—and this Court agreed—that the clawback defendants lacked standing to challenge the bar orders because they lacked a justiciable injury. Dkts. 731, 742. The only way that the clawback defendants are uninjured by the bar order is if they received credit for the claims barred by this Court's final judgments.

The Receiver is not seeking a “clarification.” Rather, he is asking the Court to opine on the application of the language unambiguously contained in the bar orders as to WOF. WOF, however, is not a party to the SEC action, is not named in the complaint pending in the case, and has not been served with process under Federal Rule of Civil Procedure 4. The consequences for the Receiver’s claims against WOF based on the language of the bar orders are not capable of review by this Court.

The Receiver’s motion fails because (1) to the extent it seeks a ruling on the applicability of judgment credits to the Receiver’s claims against WOF, the issue is required to be decided by an arbitrator and any ruling would be an advisory opinion that would violate Article III of the U.S. Constitution; and (2) to the extent that the Receiver asks the Court to alter or amend its final judgments issued in 2012, the time has passed under Federal Rule of Civil Procedure 59 and the alterations requested would violate WOF’s due-process rights and may constitute a judicial taking. The Eleventh Circuit’s precedent is crystalline that bar orders may strip claims from litigants only if such litigants are provided something of value to compensate them for their loss. To the extent that the Court would hold that WOF lacked both a claim against the Settling Defendants and a judgment credit against the Receiver’s claims, such an interpretation of the bar order would violate binding, Eleventh Circuit precedent. These issues are the subject of this objection to the Receiver’s requested relief in his motion to “clarify.”

ARGUMENT AND CITATION TO AUTHORITIES

The Federal Arbitration Act limits the circumstances of judicial intervention when a decision as to arbitrability has been made, and the U.S. Constitution limits the power of

federal courts to decide only “cases and controversies.” The junction of these two ideas forecloses the relief the Receiver seeks in his motion to “clarify.”

As an initial matter, the Court must determine the nature of the Receiver’s motion; a task which is made more difficult because the Receiver failed to cite any rule of federal civil procedure as the basis for his motion. Based on the relief that the Receiver desires, his motion is stuck in the horns of a dilemma. If, on the one hand, he is asking this Court to substantively change the final judgments entered as part of the Court’s prior approval of the bar orders, such a request is (1) untimely, (2) alters the rights of the Settling Defendants without their consent to the relief,⁴ and (3) operates to deprive WOF of its right to either a judgment credit or a claim against the Settling Defendants. If, on the other hand, the Receiver is not asking the Court to modify the prior judgments and only asking the Court to determine the legal consequences of those judgments, then that motion is also improper because (1) the determination of the consequences of the bar orders is for a tribunal with jurisdiction over the parties and their claims and defenses (here, the arbitration panel), (2) this Court lacks jurisdiction over the dispute between the Receiver and WOF and any such opinion would be advisory, and (3) the motion violates the stay order of this Court related to the litigation of the merits *qua non* of the Receiver’s claims against WOF. Under either construction of the Receiver’s motion, however, this Court cannot grant the Receiver the relief he seeks.

⁴ Goldman Sachs and Holland & Knight have made their position on the Receiver’s motion clear: they take no position on whether WOF is entitled to a judgment credit under the bar orders. Those settling defendants would have a strong position were the Court to revisit the substance of the bar order to permit WOF (and other clawback defendants) to bring claims in lieu of a judgment credit.

This objection to the Receiver's motion proceeds in four parts. First, WOF will show that this is the wrong forum for the Receiver's claims and, second, that the relief requested requires the Court to issue an advisory opinion barred by Article III of the U.S. Constitution. Third, WOF will show that even if the request were in any way proper, the motion to clarify is an improper attempt by the Receiver to alter or amend a final judgment and that, fourth, even if the Court wished to alter its prior judgments regarding the bar orders, it cannot take WOF's claim without providing just compensation.

A. Decisions as to the merits of WOF's defenses to the Receiver's claims must be decided in arbitration.

Having argued and been defeated many multiple times on whether his claims must be arbitrated, the Receiver's current motion is "another arbitration dispute in which the parties are litigating whether or not they should be litigating." *Terminix Int'l Co. v. Palmer Ranch, LP*, 432 F.3d 1327, 1329 (11th Cir. 2005). In fact, this issue has been litigated, appealed, and arbitrated. *See Wiand v. WOF*, Civ. No. 8:10-cv-203, Dkts. 39 (R&R ordering arbitration), 49 (Order adopting R&R and ordering arbitration), 57 (R&R denying interlocutory appeal), 58 (Court of Appeals order dismissing appeal), and 61 (Order adopting R&R and denying interlocutory appeal); *Wiand v. WOF*, AAA Arb. No. 51-512-892-12, Ex. A hereto (denying Receiver's motion to dismiss for lack of arbitral jurisdiction). Furthermore, the Receiver again tries to litigate whether the defense of the judgment credit can be arbitrated. *See Mot.* at 8. As the Receiver noted, however, he

submitted this issue to the arbitration panel. *See* Brief in Opp. to Mot. for Judgment Credit at 6–7, attached hereto as Exhibit B.⁵

This Court should not permit the Receiver to collaterally attack Judge Kovachevich’s order compelling arbitration and staying litigation as well as the order of the arbitration panel denying the Receiver’s motion to dismiss for lack of jurisdiction. The merits of the Receiver’s claims and the defenses thereto were properly sent to arbitration and the Receiver provides no basis for the Court to rule on the question presented by the Receiver. WOF respectfully moves that this Court decline the Receiver’s invitation to intrude on the arbitration and compel arbitration of these matters under 9 U.S.C. § 3.

B. Expressing any opinion regarding the judgment credit as regards WOF’s defenses is an impermissible advisory opinion.

In 2012, this Court entered three unconditional bar orders, which prevent suits against Settling Defendants related to their conduct in connection with the activities of Mr. Nadel. As was required by the clear law of the Eleventh Circuit, the Court properly provided judgment credits to anyone who was (1) sued by the Receiver and (2) deprived of their claims against the Settling Defendants. In fact, the clawback defendants were the principal class of people affected by the bar order as investors in funds who were also being sued by the Receiver.

As an initial matter, the Receiver’s attempts to collaterally challenge the content of the bar orders fails under the “invited error” doctrine. *Doe v. Princess Cruise Lines*,

⁵ For the sake of completeness, WOF attaches its reply from the arbitration proceedings to this objection as Exhibit C.

Ltd., 657 F.3d 1204, 1213 (11th Cir. 2011) (“The invited error doctrine stands for the common sense proposition that someone who invites a court down the primrose path to error should not be heard to complain that the court accepted its invitation and went down that path.”). This Court signed the bar orders as presented by the Receiver. The legal consequences that flow from the contents of those orders are the Receiver’s consequences to bear. This is particularly true because the Receiver failed to object on the grounds now before the Court at the time the Court first considered the matter. Fed. R. Civ. P. 45 (“When a ruling or order is requested or made, a party need only state the action that it wants the court to take or objects to, along with the grounds for the request or objection.”). Having failed to raise the issues when the Court first considered the matter, the Receiver should not now be heard to have the Court revisit its earlier order.

As discussed above, the bar orders became final judgments of this Court. *See* Dkts. 744 (final judgment regarding the settlement with Goldman Sachs), 924 (final judgment regarding the settlement with Holland & Knight).⁶ Those bar orders provide for mandatory judgment credits “as permitted by law.” *See, e.g.*, H&K Bar Order, Dkt. 922, at 4. Whether a party might be entitled to a judgment credit *as a matter of law* is a matter for a tribunal with authority over the claims sought to be barred.

What the Receiver presents as a “motion to clarify” is for all practical purposes a motion seeking an opinion regarding whether the judgment credits described in the bar

⁶ It does not appear that the order granting the Receiver’s motion to approve Shoreline’s settlement agreement resulted in a Rule 58 judgment on the Court’s docket. The judgment credits available under the Goldman Sachs and Holland & Knight judgments total approximately \$35 million and provide sufficient credits to protect WOF and any other clawback defendant asserting this defense.

orders are available as a defense to the Receiver's claims in the clawback litigations and arbitrations. The Receiver is seeking to alter who gets to decide this question based on his filings in this Court. Because the Receiver filed WOF's motion and a document that is substantively identical to his opposition to that motion before the arbitration panel, *see* Ex. B hereto, the Receiver's efforts to have this Court decide a matter fully briefed in the arbitration lacks even a fig-leaf of propriety.

As a motion requesting relief against non-parties to litigation, the Receiver is seeking an advisory opinion that violates Article III of the U.S. Constitution. *Vornado Realty Trust v. Stop & Shop Supermarkets (In re Bradlees, Inc.)*, 2005 U.S. Dist. LEXIS 725, at *13–14 (S.D.N.Y. Jan. 19, 2005) (“Vornado seeks to have this and/or the Bankruptcy Court declare the meaning of the February 6 Order as applied to another dispute—to state its preclusive effects. This, as Stop & Shop has argued, is firmly prohibited [as an advisory opinion.]”); *Pronti v. Barnhart*, 441 F. Supp. 2d 466, 477 (W.D.N.Y. 2006) (“Nor can the Court make a declaration as to the rights of other claimants not parties to these cases. . . . Federal courts are, of course, courts of limited jurisdiction and are not charged with rendering advisory opinions concerning non-parties.”); *Day v. Chevron U.S.A. Inc.*, 2011 U.S. Dist. LEXIS 112178, at *30 (S.D. Ind. Sept. 29, 2011) (“There is no ‘right’ to have this Court interpret an order entered by the Bankruptcy Court. Day’s proposed amendment is, rather, a request for an advisory opinion as to the proper interpretation of the Bankruptcy Court’s order. Furthermore, Day appears to be asking for a declaration of his rights relative to the Bankruptcy Court. However, as the Bankruptcy Court is not a party to the litigation, a determination of

Day's rights with respect to the Bankruptcy Court would be an improper use of a declaratory judgment under the Declaratory Judgments Act.”). *Cf. United States v. Zipkin*, 729 F.2d 384, 389 (6th Cir. 1984) (“It was error for the trial judge to permit Bankruptcy Judge Ray to testify as to his understanding of what his order meant.”). This Court lacks jurisdiction to decide whether WOF's motion for a judgment credit has merit because WOF is not a party to this action.

C. To the extent the Receiver seeks modification of the bar orders, the motion is untimely.

The Receiver misleadingly cites a string of generic cases stating that a court appointing a receiver can enter orders relative to the receivership, as justification the motion made by the Receiver in this case. The present motion, however, seeks to modify not the receivership but rather final judgments of this Court related to settlement agreements and bar orders entered in February and October 2012. Because the relief sought by the Receiver relates to final judgments rather than interlocutory orders, his motion is untimely and due to be denied. *Birdsong v. Wrotenbery*, 901 F.2d 1270, 1272 (5th Cir. 1990) (holding that seeking to “clarify” a permanent injunction prohibiting the bringing of certain claims goes to the merits of the injunction and must be challenged under Rule 59).

As argued extensively above, the Receiver seeks either (1) an order stating that WOF is not entitled to a judgment credit—that is, the application of an order of this Court to a party not before the Court or (2) a substantive modification of the previously entered judgments stating that clawback defendants may not receive a judgment credit. The latter of these options is improper because it is untimely. *See, e.g., Bernstein v. Lefrak (In re*

Frigitemp Corp.), 781 F.2d 324, 326 (2d Cir. 1986) (noting that motions to “clarify” must proceed under either Rule 59 or Rule 60 and that the passage of time will bar consideration of such motions); *see also* Fed. R. Civ. P. 59(e) (“A motion to alter or amend a judgment must be filed no later than 28 days after the entry of the judgment.”).⁷ The judgments that the Receiver seeks to amend with his motion were entered many multiples of 28 days before his motion.

D. The bar orders cannot be construed to have deprived WOF of valuable rights without compensation.

Bar orders provide peace to settling defendants in order to induce settlements in amounts greater than might be available absent a bar order. In this case, the Receiver convinced three organizations to settle claims for consideration in excess of \$37 million. This Court allowed the Receiver to sell finality—total peace of mind to the settling defendants that they would never need worry about claims related to Mr. Nadel ever again. Selling that finality, however, came at the cost of providing judgment credits to

⁷ As noted above, no provision of Rule 60 affords the Receiver the relief he seeks. The Receiver has alleged no typographical error, new evidence, fraud, voidness, or discharge that would justify relief under Rule 60. The Receiver’s motion comes closest to arguing that this Court made a mistake in the entry of the judgments, but that theory cannot hold water because too many skilled eyes reviewed, argued over, and approved the language of the bar orders. The Receiver negotiated the language of the bar orders with counsel for Goldman Sachs and Holland & Knight; he submitted the bar orders for this Court to review; he opposed motions that were filed by counsel for other clawback defendants challenging the bar orders; and he argued to this Court that the orders should be entered as drafted. The bar orders are likely the most fully vetted and intentional documents on the docket of this case. The final judgments are not mistakes within the meaning of Rule 60. Finally, even if the Court wished to consider its prior judgments to be mistakes, relief is unavailable under Rule 60(b) as to the Goldman Sachs \$9,850,000 judgment entered on February 13, 2012, because the Receiver’s motion is untimely by one day. Fed. R. Civ. P. 60(c)(1) (requiring such motions to be made “no more than a year after entry of the judgment”).

people with claims against the Settling Defendants. The motion that WOF made to its arbitration panel involved those judgment credits.

In the arbitration, the Receiver did not dispute several key facts:

- WOF is in the class of persons contemplated as having rights under the bar orders;
- WOF's claims against H&K or GSEC are precluded by the bar orders;
- WOF otherwise received no benefit for the claims it lost under the bar orders;
- The Receiver chose to settle his claims for less than the amounts he believes H&K, GSEC, and others owe for their participation in the "scheme;" and
- Had the Receiver obtained full relief from H&K and GSEC for investor losses, he would not have claims against WOF for fraudulent transfer.

By focusing on Mr. Nadel, the Receiver seeks to divert attention away from the deal he struck with H&K and GSEC when he received \$35 million in settlement of claims for those entities participation in Mr. Nadel's investments. In those deals, he sold the potential for a full recovery for the certainty of a lesser recovery. He also sold WOF's claims against H&K and GSEC for no value to WOF, except for the judgment credit he now attempts to avoid. The Receiver seeks to make up the shortfall generated by his voluntary reduction in the assets available (i.e., settlement of claims against H&K and GSEC) by continuing to press claims against innocent investors, like WOF, who happened to redeem from Valhalla before it crashed.

As argued to the arbitration panel, it is now clear that the Receiver only wished to offer bar orders to the Settling Defendants so long as no one was eligible to claim relief under their judgment credit provisions. The Receiver simply believes that WOF lost its

right to sue without compensation. Federal courts, however, are prohibited from awarding bar orders that fail to compensate affected parties. *AAL High Yield Bond Fund v. Deloitte & Touche LLP*, 361 F.3d 1305, 1312 (11th Cir. 2004) (vacating an “exceedingly broad” bar order because the trial court provided “no rationale or authority for barring claims without a settlement credit or ‘set off’”).

The Receiver suggests—in contravention of every case describing bar orders—that WOF’s claims may be cancelled without compensation because entitlement to a judgment credit is limited to “such set-offs or judgment credits as permitted by law, if any.”⁸ Mot. at 7. Federal cases are uniform in requiring bar orders that deprive someone of a right to provide compensation to that person. *In re Healthsouth Corp. Sec. Litig.*, 572 F.3d 854, 861 (11th Cir. 2009) (acknowledging that “a bar order deprives a non-settling defendant of potentially valuable rights, and therefore, the non-settling defendant should be compensated. . . . [T]he instant Bar Order includes, as part of its compensation to [defendant], a judgment credit, which would credit [defendant] against any future

⁸ WOF does not understand why the Receiver decided to advertise its theory of defense to the entire world of potential claimants. While there was no guaranty of secrecy in the arbitration proceedings, by filing this motion, the Receiver has invited every clawback defendant to assert the judgment credits as a defense to his claims and opened a substantial appellate issue regarding his claims still pending in federal courts. Having chosen to advertise this substantial complication into his own claims, one must question the continuing marginal utility of the Receiver’s claims against clawback defendants generally—that is, how much more of the investor recoveries that he has obtained to date will the Receiver now have to pay his firm to litigate and arbitrate the few remaining clawback claims? Furthermore, the Receiver places into jeopardy the very settlements he worked so hard to obtain by arguing that the bar orders took claims from the clawback defendants without compensation. Appellate review of these bar orders could result in unwinding the settlements—a consequence that no party desires but that the clawback defendants may need to promote to see that their claims against the Settling Defendants are not taken from them without just compensation.

judgment that the underlying plaintiffs might obtain against him.”). Furthermore, because these cases arose in the context of Mr. Nadel’s alleged securities fraud and are supervised by this Court under claims based on the Securities Exchange Act of 1934, the bar orders are governed by federal common law, which provides sufficient grounds to award a judgment credit under the cases cited herein. *See, e.g., In re Sunrise Sec. Litig.*, 698 F. Supp. 1256, 1257 (E.D. Penn. 1988) (discussing rationale for “a uniform national settlement bar rule”).⁹ That federal common law fully supports the judgment credit that WOF seeks to enforce in the arbitration proceeding.

CONCLUSION

The outcome of the Receiver’s motion in this case is patent. The issue presented is for arbitrators to decide; this Court lacks a case or controversy to rule upon; and the Receiver lacks a procedural basis to obtain the relief he seeks. The Receiver makes no effort to conform to the rules that govern all litigants: citing a rule of civil procedure authorizing relief, abiding by orders of a federal court compelling arbitration, and performing under his settlement agreements, made final judgments in which he received over \$37 million in settlement proceeds, despite arguing that equity is equality. For these reasons, among the others stated herein, WOF respectfully asks the Court to deny the

⁹ The Receiver continues to argue that there is something about the special nature of his claims for fraudulent transfer that interferes with WOF’s claims against H&K and GSEC. While WOF does not agree with the tort-vs-fraudulent-transfer distinction drawn by the Receiver, the Receiver continues to ignore the fact that he asserted tort claims in his arbitration demand, since a claim for unjust enrichment is a classic, common-law tort. *Duncan v. Kasim*, 810 So. 2d 968, 971 (Fla. 5th DCA 2002) (“We think the unjust enrichment claim is similar to the conversion claim.”) The Receiver functionally concedes that the bar order operates to deny claims for torts in exchange for a judgment credit.

Receiver's motion and refer this issue and the others remaining in the case to the panel of AAA arbitrators for their decision.

Dated: February 19, 2013.

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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of *WORLD OPPORTUNITY FUND'S OBJECTION TO RECEIVER'S MOTION "TO CLARIFY CERTAIN SETTLEMENT ORDERS"* has been filed electronically with the Clerk of the Court using the CM/ECF system which will automatically send email notification of such filing sufficient to constitute service to all attorneys of record.

This 19th day of February, 2013.

/s/ Mark A. Rogers
Mark A. Rogers

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