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November 22, 2011

**VIA E-MAIL, USPS (TO THOSE INVESTORS WITH NO E-MAIL ADDRESS) AND
POSTING ON THE WEBSITE**

TO INVESTORS IN WATCHSTONE, GRYPHON AND PALISADE

RE: Sagecrest II LLC Joint Plan of Liquidation

As you know, WML Gryphon Fund LLC ("Gryphon"), WML Palisade Partners LLC ("Palisade") and WML Watchstone Partners LLC ("Watchstone", together with Gryphon and Palisade, the "WML Funds") are equity security holders in Sagecrest II, LLC ("Sagecrest"), with claims as follows: Palisade: \$1,071,008; Gryphon: \$1,245,702; and Watchstone: \$10,422,121.

Sagecrest has filed a consensual joint Plan of Liquidation (the "Plan") in its bankruptcy case, with the other related debtor entities (together with Sagecrest, the "Debtors"), its secured lender, Deutsche Bank (the "Bank"), and the Committee of Equity Security Holders. The Plan provides for all of the assets of the Debtor to be transferred to a Liquidating Trust (the "Trust"). A trustee will liquidate all of the assets and make distributions to creditors.

The Bank will have an allowed claim against the Debtors in the approximate amount of \$106 million, plus up to \$2.0 million in unpaid fees and costs, plus interest allowed under its loan documents; it will receive the first \$55 million in distributable cash from the Trust and thereafter it will receive distributions simultaneously with the equity investors that opt to receive pro rata future payments from the Trust (as explained in more detail below) until its claim is paid in full or the assets have been fully liquidated.

The general unsecured trade creditors hold approximately \$13.7 million in claims against the Debtors. They will be paid in full on the Plan's effective date from cash in the Trust.

The Plan divides the equity investors into two groups: (1) those who made a full redemption request prior to the bankruptcy filing (the "Redemption Claimants") and (2) those who did not make a redemption request or only made a partial redemption request. However, both of these groups are treated exactly the same under the Plan, although the claim amounts of Redemption Claimants are fixed as of the time the redemption requests were made/accepted.

All of the WML Funds made full redemption requests prior to the bankruptcy filing and, therefore, are treated as Redemption Claimants under the Plan. Redemption Claimants have the option of: (i) receiving a one time payment equal to their pro rata share of \$5 million or (ii) receiving their share of distributions from the Trust after the Bank has received its first \$55 million payment and unsecured creditors have been paid in full; on a percentage basis with the Bank, and on a pro rata basis with all other redeeming and non-redeeming equity holders who do not elect the one-time payment.

The one time payment will be made within 10 days of the Plan becoming effective, which will likely occur in the next few months. The Plan estimates that there are approximately \$177 million in Redemption Claims PLUS \$9.3 million in non-redemption claims, for a total of approximately **\$186.3 million in equity claims**. This means that if every Redemption Claimant elects to receive the one time payment, each claimant will receive less than 3% of its claim (i.e. Gryphon would receive a distribution of approximately \$33,432, Palisade would receive a distribution of approximately \$28,744 and Watchstone would receive a distribution of approximately \$279,713. *See Scenario No. 1, Option 1, attached.* However, there is no way to know how many Redemption Claimants will choose this option. The fewer equity holders who make this election, the higher the distribution. *See Scenario No. 1, Options 2 and 3 attached.*

The Redemption Claimants who do not elect a one-time payment, but instead elect to receive pro rata future distributions from the Trust will receive a pro-rata percentage of distributable cash based on the amount the Bank is then receiving. Specifically, the Redemption Claimants will receive: (a) a pro-rata share of 10% of all distributable cash in the Trust after the Bank receives \$55 million and until the Bank receives \$65 million (i.e. 10% of the next \$10 million, or \$1.0 million, after the Bank receives \$55 million, with the other 90%, or \$9 million going to the Bank); (b) a pro-rata share of 15% of all distributable cash after the Bank receives \$65 million and until the Bank receives \$75 million (i.e. \$1.5 million of the next \$10 million in recoveries, with the Bank receiving the other \$8.5 million); (c) a pro-rata share of 25% of all distributable cash after the Bank receives \$75 million and until the Bank receives \$85 million (i.e. \$2.5 million of the next \$10 million with the Bank receiving the next \$7.5 million), and (d) a pro-rata share of 50% of all distributable cash after the Bank receives \$85 million and until all the Bank is paid in full. After the Bank has been paid in full, any recoveries would be shared, with 23% going to Redemption Claimants and other equity holders, and 77% going to equity holders in the parent company, Sagecrest Holdings, Limited (one of the offshore entities).

The Debtors roughly estimate that the gross recovery for the assets should be between \$100 to \$120 million although these numbers may be either too high or too low depending on the assets and the timing of liquidation.. Debtors estimate the liquidation could take up to 4 years. It is therefore impossible to determine what the percentage recovery would be for the WM Funds under the future payment option. However, Scenario Nos. 2, 3 and 4 attached lay out some possible scenarios and potential distributions.

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On behalf of **each of the WM Funds, I must mail my ballots by not later than December 8, 2011** to accept or reject the Plan and choose by that date how the claims of each of the WM Funds will be treated under the Plan. I intend to have a telephonic meeting of the WM advisory committee to discuss these options and to assist me in making my decision on how to vote. If you have any comments or a preference on how I should vote please let me know as soon possible, but no later than **December 1, 2011**. Please e-mail to Receiver@quarles.com.

SEE SCENARIOS ATTACHED

Gryphon, Palisade, and Watchstone Claims Scenarios

Scenario No. 1 - One Time Payment Possibilities

Option 1.

One Time Payment

All Claimants Elected

Claiming one time payment of pro rata share of \$5 million for Gryphon, Palisade, and Watchstone, Assuming all other claimants elect this option as well.

Gryphon	$5,000,000 \times 1,245,702/186,300,000 =$	\$33,432.69
Palisade	$5,000,000 \times 1,071,008/186,300,000 =$	\$28,744.18
Watchstone	$5,000,000 \times 10,422,121/186,300,000 =$	\$279,713.39
	Total	<u>\$341,890.26</u>

Option 2.

One Time Payment

Half Claimants Elected

Claiming one time payment of pro rata share of \$5 million for Gryphon, Palisade, and Watchstone, Assuming half other claimants elect this option as well.

Gryphon	$5,000,000 \times 1,245,702/(186,300,000/2) =$	\$66,865.38
Palisade	$5,000,000 \times 1,071,008/(186,300,000/2) =$	\$57,488.35
Watchstone	$5,000,000 \times 10,422,121/(186,300,000/2) =$	\$559,426.78
	Total	<u>\$683,780.52</u>

Option 3.

One Time Payment

No Other Claimants Elected

Claiming one time of pro rata share of \$5 million for Gryphon, Palisade, and Watchstone, Assuming no other claimants elect this option.

Gryphon	$5,000,000 \times 1,245,702/(1,245,702 + 1,071,008 + 10,422,121) =$	\$488,938.90
Palisade	$5,000,000 \times 1,071,008/(1,245,702 + 1,071,008 + 10,422,121) =$	\$420,371.38
Watchstone	$5,000,000 \times 10,422,121/(1,245,702 + 1,071,008 + 10,422,121) =$	\$4,090,689.72
	Total	<u>\$5,000,000.00</u>

Thus in this Scenario when claiming one time payment of pro rata share of \$5 million, total distributions for all three funds range from \$341,890.26 to \$5,000,000.00, with result depending on how many other claimants also elect to take one time payment.

The fewer the redemption claimants that make the one time payment election, the higher the calculation is for a potential distribution for those who do.

Gryphon, Palisade, and Watchstone Claims Scenarios

Scenario No. 2. (1)

Recovery \$120 Million

All Claimants Elect with Bank

Assuming total recovery is \$120 million, and all claimants including Gryphon, Palisade, and Watchstone elect to receive distribution along with bank

Step 1: Bank receives \$55 million

Step 2: Bank receive \$10 million out of the next 11.111 million, all other claimants receive 1.111 million

Step 3: Bank receive \$10 million out of the next 11.765 million, all other claimants receive 1.765 million

Step 4: Bank receive \$10 million out of the next 13.333 million, all other claimants receive 3.333 million

Step 5: Bank receive \$14.395 million out of the next 28.791 million (120 - 55 - 11.111 - 11.765 - 13.333), all other claimants receive 14.395 million

Gryphon	Step 1	\$0.00
	Step 2 $1,111,000 \times 1,245,702/186,300,000 =$	\$7,428.74
	Step 3 $1,765,000 \times 1,245,702/186,300,000 =$	\$11,801.74
	Step 4 $3,333,000 \times 1,245,702/186,300,000 =$	\$22,286.23
	Step 5 $14,395,000 \times 1,245,702/186,300,000 =$	\$96,252.71
	Total	<u>\$137,769.43</u>
Palisade	Step 1	\$0.00
	Step 2 $1,111,000 \times 1,071,008/186,300,000 =$	\$6,386.96
	Step 3 $1,765,000 \times 1,071,008/186,300,000 =$	\$10,146.69
	Step 4 $3,333,000 \times 1,071,008/186,300,000 =$	\$19,160.87
	Step 5 $14,395,000 \times 1,071,008/186,300,000 =$	\$82,754.48
	Total	<u>\$118,449.00</u>
Watchstone	Step 1	\$0.00
	Step 2 $1,111,000 \times 10,422,121/186,300,000 =$	\$62,152.32
	Step 3 $1,765,000 \times 10,422,121/186,300,000 =$	\$98,738.83
	Step 4 $3,333,000 \times 10,422,121/186,300,000 =$	\$186,456.95
	Step 5 $14,395,000 \times 10,422,121/186,300,000 =$	\$805,294.86
	Total	<u>\$1,152,642.95</u>

Gryphon, Palisade, and Watchstone Claims Scenarios

Scenario No. 2. (2)

Recovery \$100 Million

All Claimants Elect with Bank

Assuming total recovery is \$100 million, and all claimants including Gryphon, Palisade, and Watchstone elect to receive distribution along with bank

Step 1: Bank receives \$55 million

Step 2: Bank receive \$10 million out of the next 11.111 million, all other claimants receive 1.111 million

Step 3: Bank receive \$10 million out of the next 11.765 million, all other claimants receive 1.765 million

Step 4: Bank receive \$10 million out of the next 13.333 million, all other claimants receive 3.333 million

Step 5: Bank receive \$4.395 million out of the next 8.791 million (100 - 55 - 11.111 - 11.765 - 13.333), all other claimants receive 4.395 million

Gryphon	Step 1	\$0.00
	Step 2 $1,111,000 \times 1,245,702/186,300,000 =$	\$7,428.74
	Step 3 $1,765,000 \times 1,245,702/186,300,000 =$	\$11,801.74
	Step 4 $3,333,000 \times 1,245,702/186,300,000 =$	\$22,286.23
	Step 5 $4,395,000 \times 1,245,702/186,300,000 =$	\$29,387.33
	Total	<u>\$70,904.05</u>

Palisade	Step 1	\$0.00
	Step 2 $1,111,000 \times 1,071,008/186,300,000 =$	\$6,386.96
	Step 3 $1,765,000 \times 1,071,008/186,300,000 =$	\$10,146.69
	Step 4 $3,333,000 \times 1,071,008/186,300,000 =$	\$19,160.87
	Step 5 $4,395,000 \times 1,071,008/186,300,000 =$	\$25,266.13
	Total	<u>\$60,960.65</u>

Watchstone	Step 1	\$0.00
	Step 2 $1,111,000 \times 10,422,121/186,300,000 =$	\$62,152.32
	Step 3 $1,765,000 \times 10,422,121/186,300,000 =$	\$98,738.83
	Step 4 $3,333,000 \times 10,422,121/186,300,000 =$	\$186,456.95
	Step 5 $4,395,000 \times 10,422,121/186,300,000 =$	\$245,868.07
	Total	<u>\$593,216.16</u>

Gryphon, Palisade, and Watchstone Claims Scenarios

Scenario No. 3. (1)

Recovery \$120 Million

\$5 Million in Claims - Elect One Time Payment

Other Claimants Elect with Bank

For illustration purposes, assuming total recovery is \$120 million, claimants of \$5 million took one time payment, and the rest (including Gryphon, Palisade, and Watchstone) elect to receive distribution along with bank.

Step 1: \$5 million one-time payment paid out.

Step 2: Bank receives \$55 million

Step 3: Bank receive \$10 million out of the next 11.111 million, all other claimants receive 1.111 million

Step 4: Bank receive \$10 million out of the next 11.765 million, all other claimants receive 1.765 million

Step 5: Bank receive \$10 million out of the next 13.333 million, all other claimants receive 3.333 million

Step 6: Bank receive \$11.895 million out of the next 23.791 million (120 - 5 - 55 - 11.111 - 11.765 - 13.333), all other claimants receive 11.895 million

Gryphon	Step 1	\$0.00	
	Step 2	\$0.00	
	Step 3	$1,111,000 \times 1,245,702 / (186,300,000 - 5,000,000) =$	\$7,633.62
	Step 4	$1,765,000 \times 1,245,702 / (186,300,000 - 5,000,000) =$	\$12,127.21
	Step 5	$3,333,000 \times 1,245,702 / (186,300,000 - 5,000,000) =$	\$22,900.85
	Step 6	$11,895,000 \times 1,245,702 / (186,300,000 - 5,000,000) =$	\$81,729.87
	Total		<u>\$124,391.56</u>
Palisade	Step 1	\$0.00	
	Step 2	\$0.00	
	Step 3	$1,111,000 \times 1,071,008 / (186,300,000 - 5,000,000) =$	\$6,563.10
	Step 4	$1,765,000 \times 1,071,008 / (186,300,000 - 5,000,000) =$	\$10,426.53
	Step 5	$3,333,000 \times 1,071,008 / (186,300,000 - 5,000,000) =$	\$19,689.30
	Step 6	$11,895,000 \times 1,071,008 / (186,300,000 - 5,000,000) =$	\$70,268.29
	Total		<u>\$106,947.21</u>
Watchstone	Step 1	\$0.00	
	Step 2	\$0.00	
	Step 3	$1,111,000 \times 10,422,121 / (186,300,000 - 5,000,000) =$	\$63,866.39
	Step 4	$1,765,000 \times 10,422,121 / (186,300,000 - 5,000,000) =$	\$101,461.91
	Step 5	$3,333,000 \times 10,422,121 / (186,300,000 - 5,000,000) =$	\$191,599.17
	Step 6	$11,895,000 \times 10,422,121 / (186,300,000 - 5,000,000) =$	\$683,790.01
	Total		<u>\$1,040,717.48</u>

Gryphon, Palisade, and Watchstone Claims Scenarios

Scenario No. 3. (2)

Recovery \$100 Million

\$5 Million in Claims - Elect One Time Payment

Other Claimants Elect with Bank

For illustration purposes, assuming total recovery is \$100 million, claimants of \$5 million took one time payment, and the rest (including Gryphon, Palisade, and Watchstone) elect to receive distribution along with bank.

Step 1: \$5 million one-time payment paid out.

Step 2: Bank receives \$55 million

Step 3: Bank receive \$10 million out of the next 11.111 million, all other claimants receive 1.111 million

Step 4: Bank receive \$10 million out of the next 11.765 million, all other claimants receive 1.765 million

Step 5: Bank receive \$10 million out of the next 13.333 million, all other claimants receive 3.333 million

Step 6: Bank receive \$1.895 million out of the next 3.791 million (100 - 5 - 55 - 11.111 - 11.765 - 13.333), all other claimants receive 1.895 million

Gryphon	Step 1	\$0.00	
	Step 2	\$0.00	
	Step 3	$1,111,000 \times 1,245,702 / (186,300,000 - 5,000,000) =$	\$7,633.62
	Step 4	$1,765,000 \times 1,245,702 / (186,300,000 - 5,000,000) =$	\$12,127.21
	Step 5	$3,333,000 \times 1,245,702 / (186,300,000 - 5,000,000) =$	\$22,900.85
	Step 6	$1,895,000 \times 1,245,702 / (186,300,000 - 5,000,000) =$	\$13,020.44
	Total		<u>\$55,682.12</u>
Palisade	Step 1	\$0.00	
	Step 2	\$0.00	
	Step 3	$1,111,000 \times 1,071,008 / (186,300,000 - 5,000,000) =$	\$6,563.10
	Step 4	$1,765,000 \times 1,071,008 / (186,300,000 - 5,000,000) =$	\$10,426.53
	Step 5	$3,333,000 \times 1,071,008 / (186,300,000 - 5,000,000) =$	\$19,689.30
	Step 6	$1,895,000 \times 1,071,008 / (186,300,000 - 5,000,000) =$	\$11,194.49
	Total		<u>\$47,873.41</u>
Watchstone	Step 1	\$0.00	
	Step 2	\$0.00	
	Step 3	$1,111,000 \times 10,422,121 / (186,300,000 - 5,000,000) =$	\$63,866.39
	Step 4	$1,765,000 \times 10,422,121 / (186,300,000 - 5,000,000) =$	\$101,461.91
	Step 5	$3,333,000 \times 10,422,121 / (186,300,000 - 5,000,000) =$	\$191,599.17
	Step 6	$1,895,000 \times 10,422,121 / (186,300,000 - 5,000,000) =$	\$108,935.02
	Total		<u>\$465,862.49</u>

Gryphon, Palisade, and Watchstone Claims Scenarios

Scenario No. 4. (1)

Recovery \$120 Million

Half Claimants Elect One Time Payment

Half Claimants Elect with Bank

Assuming total recovery is \$120 million, half other claimants took one time payment, and the other half (including Gryphon, Palisade, and Watchstone) elect to receive distribution along with bank.

Step 1: \$5 million one-time payment paid out.

Step 2: Bank receives \$55 million

Step 3: Bank receive \$10 million out of the next 11.111 million, other claimants receive 1.111 million

Step 4: Bank receive \$10 million out of the next 11.765 million, other claimants receive 1.765 million

Step 5: Bank receive \$10 million out of the next 13.333 million, other claimants receive 3.333 million

Step 6: Bank receive \$11.895 million out of the next 23.791 million (120 - 5 - 55 - 11.111 - 11.765 - 13.333), other claimants receive 11.895 million

Gryphon	Step 1	\$0.00
	Step 2	\$0.00
	Step 3	$1,111,000 \times 1,245,702 / (186,300,000/2) =$
		\$14,857.49
	Step 4	$1,765,000 \times 1,245,702 / (186,300,000/2) =$
		\$23,603.48
	Step 5	$3,333,000 \times 1,245,702 / (186,300,000/2) =$
		\$44,572.46
	Step 6	$11,895,000 \times 1,245,702 / (186,300,000/2) =$
		\$159,072.74
	Total	<u>\$242,106.16</u>

Palisade	Step 1	\$0.00
	Step 2	\$0.00
	Step 3	$1,111,000 \times 1,071,008 / (186,300,000/2) =$
		\$12,773.91
	Step 4	$1,765,000 \times 1,071,008 / (186,300,000/2) =$
		\$20,293.39
	Step 5	$3,333,000 \times 1,071,008 / (186,300,000/2) =$
		\$38,321.74
	Step 6	$11,895,000 \times 1,071,008 / (186,300,000/2) =$
		\$136,764.79
	Total	<u>\$208,153.83</u>

Watchstone	Step 1	\$0.00
	Step 2	\$0.00
	Step 3	$1,111,000 \times 10,422,121 / (186,300,000/2) =$
		\$124,304.63
	Step 4	$1,765,000 \times 10,422,121 / (186,300,000/2) =$
		\$197,477.66
	Step 5	$3,333,000 \times 10,422,121 / (186,300,000/2) =$
		\$372,913.89
	Step 6	$11,895,000 \times 10,422,121 / (186,300,000/2) =$
		\$1,330,876.32
	Total	<u>\$2,025,572.50</u>

Gryphon, Palisade, and Watchstone Claims Scenarios

Scenario No. 4. (2)

Recovery \$100 Million

Half Claimants Elect One Time Payment

Half Claimants Elect with Bank

Assuming total recovery is \$100 million, half other claimants took one time payment, and the other half (including Gryphon, Palisade, and Watchstone) elect to receive distribution along with bank.

Step 1: \$5 million one-time payment paid out.

Step 2: Bank receives \$55 million

Step 3: Bank receive \$10 million out of the next 11.111 million, other claimants receive 1.111 million

Step 4: Bank receive \$10 million out of the next 11.765 million, other claimants receive 1.765 million

Step 5: Bank receive \$10 million out of the next 13.333 million, other claimants receive 3.333 million

Step 6: Bank receive \$1.895 million out of the next 3.791 million (100 - 5 - 55 - 11.111 - 11.765 - 13.333), other claimants receive 1.895 million

Gryphon	Step 1	\$0.00	
	Step 2	\$0.00	
	Step 3	$1,111,000 \times 1,245,702 / (186,300,000 / 2) =$	\$14,857.49
	Step 4	$1,765,000 \times 1,245,702 / (186,300,000 / 2) =$	\$23,603.48
	Step 5	$3,333,000 \times 1,245,702 / (186,300,000 / 2) =$	\$44,572.46
	Step 6	$1,895,000 \times 1,245,702 / (186,300,000 / 2) =$	\$25,341.98
		Total	<u>\$108,375.41</u>
Palisade	Step 1	\$0.00	
	Step 2	\$0.00	
	Step 3	$1,111,000 \times 1,071,008 / (186,300,000 / 2) =$	\$12,773.91
	Step 4	$1,765,000 \times 1,071,008 / (186,300,000 / 2) =$	\$20,293.39
	Step 5	$3,333,000 \times 1,071,008 / (186,300,000 / 2) =$	\$38,321.74
	Step 6	$1,895,000 \times 1,071,008 / (186,300,000 / 2) =$	\$21,788.09
		Total	<u>\$93,177.12</u>
Watchstone	Step 1	\$0.00	
	Step 2	\$0.00	
	Step 3	$1,111,000 \times 10,422,121 / (186,300,000 / 2) =$	\$124,304.63
	Step 4	$1,765,000 \times 10,422,121 / (186,300,000 / 2) =$	\$197,477.66
	Step 5	$3,333,000 \times 10,422,121 / (186,300,000 / 2) =$	\$372,913.89
	Step 6	$1,895,000 \times 10,422,121 / (186,300,000 / 2) =$	\$212,022.75
		Total	<u>\$906,718.93</u>

Scenarios No. 2 to No. 4 illustrates that distribution results depend on how many claimants elect to receive distribution along with bank, and the amount of total recovery.

Note: For the bank to be fully paid (\$108 million), the total recovery need to be 137.209 million (55+11.111+11.765+13.333+46), this is considered not likely by the debtor as the estimate recovery is only up to \$120 million.