

June 26, 2009 update:

1. Attached is the audited financial statement for the Brown fund which I received after last week's court hearing.
2. Today, the Court held a continued hearing on the Receiver's motion to stay/enjoin all lawsuits against Wealth Management, the funds and Messers Putman and Fevola. After hearing argument of counsel the Court ruled that the stay would remain in effect, pending a status hearing which the Court set for **September 9, 2009 at 1:30 p.m.**
3. I am pleased to report that with the assistance of counsel, I have negotiated a resolution of the debt owed to the Gryphon fund by Gulf Islands Water Park. Gryphon had invested \$500,000 in the form of a subordinated, unsecured promissory note. There is \$450,000 still due and owing, plus interest. There are two levels of secured debt ahead of the note to Gryphon, totaling approximately \$7.5 million. Gryphon has not received any payments on its debenture since September 2008, due to the default declared by Whitney National Bank, the senior lender, and the terms of the Subordination Agreement between the senior lender and Gryphon. Further, the senior loan, in the amount of approximately \$3.5 million, is due to mature on August 13, 2009. Gulf Islands has been negotiating a replacement for the senior loan, and the proposed replacement lender has required that Gryphon release its claim. Gulf Islands proposed that Gryphon accept preferred equity in place of the debt, providing to its manager, Coastal Entertainment Operations, LLC, an option to purchase Gryphon's equity at the amount of the debt plus interest. The option was not a required take-out, and therefore, there was no guaranty of repayment of the equity position or original debt. The Receiver was not satisfied with the request to trade debt for equity, and requested instead that Gulf Islands propose a cash satisfaction of the debt. After much negotiation, including a personal visit from the principal of Gulf Islands, the Receiver Team negotiated a payment in the amount of \$90,000 in satisfaction of the debt. The Receiver team believes that this result is far better than the proposed trade of debt for equity, and intends to consummate the transaction on or about June 30.