

Memorandum

April 20, 2010



**From:** Faye B. Feinstein  
**Re:** Update re status of first distributions

In my status update of March 5, 2010, I projected making a first distribution to investors in the WM Funds in March, except for distributions to investors in Quetzal, which I anticipated making in April, after Quetzal received a large infusion of cash from one of its investments (the Discovery Equity sub-fund).

After evaluating the administrative costs associated with separating the Quetzal-related distributions from distributions related to the other WM Funds, I decided to make initial distributions from all WM funds at the same time. I had originally hoped that those distributions would have been mailed last week, but we were waiting to receive a distribution from the Discovery Equity sub-fund. That distribution was received on Friday, April 16, and it has allowed me to include an additional \$1.1 million in the first distribution from the Quetzal fund.

We have also been working with Alan D. Lasko & Associates, whom I retained to be accountants for Wealth Management, LLC, to calculate distributions. Our goal was described in the plan of distribution confirmed by the Court: to equalize, to the degree possible, the positions of investors who received redemption payments after May 31, 2008 (each, a "Post-May 31 Redemption"), with those who did not. For example, in the Gryphon fund, I have cash available for distribution (after reserves) to enable investors who *did not* receive any Post-May 31 Redemptions to receive cash equal to approximately 8% of their net cash positions in Gryphon.

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At the same time, there is cash available to permit investors who *did* receive Post-May 31 Redemptions equal to *less* than 8% of their respective net cash positions, to receive initial cash distributions that, when added to their Post-May 31 Redemptions, will equal that same 8% of their respective net cash positions. Those investors who received Post-May 31 Redemptions from Gryphon that *exceeded* 8% of their respective net cash positions will not receive a cash distribution at this time.

The percentages of investors' net cash positions for the five funds making distributions (L3 has too little cash to make distributions at this time) are: Gryphon (8.039%); Palisade (25.0505%); Pantera (0.168154%); Quetzal (0.570811%), and Watch Stone (0.49%). (Particular investors' percentages may vary by one or two hundredths of one percent due to rounding.) In other words, investors in Palisade will receive distributions sufficient to insure that their cash distribution *plus* their Post-May 31 Redemptions (if any) total 25.0505% of their net cash positions. Therefore, Palisade investors who *did not* receive any Post-May 31 Redemptions will receive a check in the amount of 25.0505% of their net cash positions. Those who *did* receive Post-May 31 Redemptions will receive a check in an amount which, when added to their Post-May 31 Redemptions, equals 25.0505% of their net cash positions. Those Palisade investors whose Post-May 31 Redemptions totaled more than 25.0505% of their net cash position will not receive checks.

As noted above, the aim of the plan of distribution was to make distributions in such a way that those investors who had *not received* any Post-May 31 Redemptions would be "caught

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up", that is, would receive cash from the receivership that would give them the same percentage of their net cash investments in the various funds as by those investors who received Post-May

31 Redemption payments. We initially intended to accomplish that equitable goal by not making distributions to those investors who received Post-May 31 Redemptions up to the amount of the Post-May 31 Redemptions received, and putting all of that cash back into the Fund for distribution only to those investors who had not received any Post-May 31 Redemptions. However, when we ran those calculations, we saw that doing so reversed the equities, i.e. investors who had *not received* any Post-May 31 Redemptions would receive, in many cases, a much higher percentage of their net cash position than those investors who did receive Post-May 31 Redemptions. Instead, the initial distributions will give all investors in each fund the highest percentage of their net cash positions that I can distribute, while continuing to withhold a distribution only to those investors who have already received a greater percentage of their net cash position than I can distribute at this time.

Each investor will receive a mailing containing information regarding how their entitlement to a distribution from each fund was calculated, and those entitled to cash distributions now will also receive a check in the appropriate amount. You will receive a mailing for each fund in which you are invested. Barring unforeseen administrative difficulties, I anticipate that these mailings will go out during the first week of May 2010.

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After the initial distributions have been made, I will file with the Court, and post on the receivership web site, a report showing all distributions made to all investors in all five funds (without identifying investors by name). I anticipate making one or more distributions before the receivership is closed, but I cannot now estimate when an additional distribution will be made or in what amount for each fund. This will depend upon recoveries from the sub-funds and other sources.