



January 13, 2011

From: Faye B. Feinstein
Re: **Amended Complaint, Filed in Putman Chapter 7 Bankruptcy Case, Adding Receiver as Plaintiff Objecting to Discharge of Certain Debts Owed by James Putman**

On November 15, 2010, a group of investors in various Wealth Management Funds filed a complaint in the chapter 7 bankruptcy of James Putman, asking Putman's bankruptcy court to declare that debts Putman is alleged to personally owe to those investors should not be discharged in his bankruptcy case but that, instead, those investors should be able to pursue him for those debts even after his bankruptcy is over.

On December 21, 2010, Putman's bankruptcy court allowed me to join that complaint on behalf of any receivership entities that were also investors in WM Funds. Therefore, today, the attorney who filed the original complaint, David Melnick, filed an amended complaint to include me as a Plaintiff, in my capacity as representative of WM, Gryphon, and Quetzal, all of whom invested in one or more WM Funds.

Attached to this memo is a copy of that amended complaint.

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF WISCONSIN

In Re: James E. Putman and Christine A. Putman
Debtors.

Case Number: 10-32980-mdm
Chapter 7

David M. and Barbara G. Angell
Mae V. Anderson
Robert J. and Kathryn A. Bechard
John E. and Teresa Bobinski
Peter L. and Catherine D. Brockman
William J. and Margo R. Brusky
Paula C. Chandler
Daniel E. and Helen E. Cloud
John P. and Christine L. Gauder
Steven B. Hughes and Karen Hughes
John M. and Elizabeth Laritson
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Robert S. and Caroline C. McDonald
Paul M. and Pamela C. O'Connor
Beatrice Occhietti
Bienvenido C. and Emma D. Palaganas
Robert R. and Marianna Poole, Trustees
of the Poole Revocable Trust DTD 2/11/98
Christopher A. and Monique M. Prato
Peter W. and Teresa A. Radford
Sharon M. Ramos
Gordon and Sue Rule
Peter J. and Jacalyn L. Schubbe, Trustees
of the Schubbe Living Trust U/A DTD 1/15/09
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Paul C. Utrie and Robin Goldsmith
James P. and Sandra J. Verhoeven
Faro and Serafina Vitale
Richard P. and Marcia M. Voss
David R. and Mary Weber
Joseph G. and Barbara J. Zondlo and
Faye B. Feinstein, not individually, but as Receiver for

Adversary No. 10-02626

WML Quetzal Partners, L.P., Wealth Management LLC, and WML Gryphon
Fund LLC

Plaintiffs,

vs.

James E. Putman

Defendant

AMENDED COMPLAINT OBJECTING TO DISCHARGEABILITY

JURY TRIAL DEMANDED

Plaintiffs listed above (collectively “WM Investors”), by and through their attorneys Melnick & Melnick, S.C., for Plaintiffs’ Amended Complaint objecting to James Putman’s dischargeability of his indebtedness, Plaintiffs allege as follows:

INTRODUCTION

1. James Putman (“Putman”), founder and majority owner of Wealth Management, LLC (“WM”), encouraged his clients, including the WM Investors, to invest in six hedge fund-like investment pools, all formed and managed by WM (collectively the “WM Funds”). But Putman’s advice was bogus and self-serving. The WM Funds were volatile and illiquid alternative investments with inflated values, values on which WM, and in turn Putman, based its management fees. Putman also received at least \$1.24 million in undisclosed kickbacks derived from certain investments made by the WM Funds while he, at the same time, encouraged WM Investors to invest in those same WM Funds.
2. On May 20, 2009, the United States Securities and Exchange Commission (“SEC”) filed an enforcement action against Putman, WM and others in the United States District Court for the Eastern District of Wisconsin (Green Bay), Case No. 09-C-506 (“SEC Litigation”)

and “SEC’s Complaint” as applicable). The Court in the SEC Litigation appointed Faye B. Feinstein as Receiver for WM and the WM Funds on May 20, 2009 (SEC Litigation Docket No. 8).

3. The Court in the SEC Litigation made the following findings when it appointed the Receiver (SEC Docket No. 8):

- The SEC established a *prima facie* case that Putman (among others) had violated securities law.
- Putman (among others) apparently misused and dissipated assets belonging to WM’s clients and the WM Funds’ investors and made fraudulent and misleading statements and material omissions to its clients and investors regarding their WM Funds’ investments and Putman’s kickbacks.
- Due in part to Putman’s misconduct WM’s clients or investors have suffered and may continue to suffer financial losses because the WM Funds are in a precarious state.

JURISDICTION AND VENUE

4. This is an adversary proceeding brought pursuant to Bankruptcy Rule 7001(6). This is a core proceeding under 28 U.S.C. §157(b)(2)(I).
5. This Court has jurisdiction over matters arising in or related to a case under 28 U.S.C. §1334.
6. This Court has venue over this matter pursuant to 28 U.S.C. §1409(a).
7. This adversary proceeding relates to the matter *In Re James E. Putman and Christine A. Putman*, a case pending under Chapter 7 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Wisconsin (Milwaukee).

PARTIES

8. Putman is an individual debtor in the underlying bankruptcy case and a “debtor” under Chapter 7 of the United States Bankruptcy Code 11 U.S.C. §101 *et. seq.* (“Bankruptcy Code”), specifically §109.
9. Plaintiff Faye B. Feinstein is the court appointed Receiver for WM and the WM Funds, and brings this action as Receiver for WML Quetzal Partners, L.P. (“Quetzal”), WM, and WML Gryphon Fund LLC (“Gryphon”). Putman caused each of WM, Quetzal and Gryphon to become investors in other WM Funds as follows: (i) Quetzal became an investor in Gryphon; (ii) WM became an investor in WML Palisade Partners, L.P. (“Palisade”), WML Watch Stone Partners, L.P. (“Watch Stone”) and WML Pantera Partners, L.P. (“Pantera”); and (iii) Gryphon became an investor in Pantera. On December 21, 2010, this Court entered an order extending the time within which the Receiver may join as a Plaintiff herein, for the purposes of contesting the dischargeability of debt owed by Putman to certain of the WM Funds. This Amended Complaint is brought pursuant to the December 21 order.
10. Putman resides in Menasha, Wisconsin and was WM’s founder, Chief Executive Officer, and Chairman of the Board of Managers.
11. The WM Investors’ circumstances are similar, in relation to this adversary proceeding. Specifically, at all times relevant hereto, the WM Investors all (a) retained Putman and WM as their financial advisor, (b) compensated WM and Putman by paying WM a management fee (WM deducted a percentage from each WM Investor’s investment account), (c) invested in one or more of the WM Funds, (d) invested in the WM Funds because Putman recommended, or caused other WM employees to recommend, them, or,

in the case of Quetzal, WML and Gryphon, Putman caused them to become investors in other WM Funds; (e) wanted to invest their money in low-risk, liquid investments, and (f) believed, based on Putman's and WM's written and oral representations, that the WM Funds were stable, liquid investments.

12. The WM Investors are all creditors and parties in interest in Putman's bankruptcy proceeding (Schedule F). The following WM Investors are Wisconsin residents: David M. and Barbara G. Angell, Robert J. and Kathryn A. Bechard, John E. and Teresa Bobinski, Peter L. and Catherine D. Brockman, William J. and Margo R. Brusky, Paula C. Chandler, Daniel E. and Helen E. Cloud, John P. and Christine L. Gauder, John M. and Elizabeth Laritson, David A. and Jean Lawrence, Joseph P. McCormick, John P. and Peggy L. McCullough, Donald J. and Sylvia E. McDonald, Robert S. and Caroline C. McDonald, Paul M. and Pamela C. O'Connor, Robert R. and Marianna Poole (Trustees of the Poole Revocable Trust), Sharon M. Ramos, Gordon and Sue Rule, Peter J. and Jacalyn L. Schubbe (Trustees of the Schubbe Living Trust U/A DTD 1/15/09), Ilan and Carol Shapiro, Donald and Theresa Sipes (Trustees of the Sipes Family Trust), Don C. and Barbara B. Smith, Paul Utrie and Robin Goldsmith, James P. and Sandra J. Verhoeven, Faro and Serafina Vitale, Richard and Marcia M. Voss, David R. and Mary Weber, and Joseph G. and Barbara J. Zondlo. The following WM Investors live outside Wisconsin: Mae V. Anderson (Arizona), Steven B. and Karen Hughes (New York), Beatrice Occhietti (Michigan), Bienvenido C. and Emma D. Palaganas, Sr. (Nevada), Christopher A. and Monique M. Prato (North Carolina), and Peter W. and Teresa A. Radford (Colorado).

13. WM is a Wisconsin limited liability company formerly located in Appleton, Wisconsin. It has been registered with the Securities and Exchange Commission (“SEC”) as an investment advisor since August 1997.
14. Putman, individually and in his fiduciary capacity as WM’s Chief Executive Officer and Chairman of the Board of Managers, (i) knowingly deceived the WM Investors using misrepresentation, manipulation, and overt fraud causing them to lose all or nearly all of their investments, which for some of the WM Investors, constituted their life savings; and (ii) caused Quetzal, WML and Gryphon to invest in other WM Funds, thereby causing Quetzal, WM and Gryphon to lose nearly all of their investments.

STATEMENT OF FACTS

15. WM is the general partner or managing member of six investment funds which Putman formed (collectively the “WM Funds”).
16. At all times relevant hereto, Putman exercised general control over WM and the WM Funds.
17. In 2003 Putman established the WM Funds, unregistered investment pools similar to “hedge funds”.
18. Between May 2003 and August 2008, Putman convinced the WM Investors to invest in the WM Funds, promising consistent returns on low volatility investments. Frequently the WM Investors moved their investments from traditional stock and bond portfolios to one or more of the WM Funds.
19. Putman caused the WM Funds to invest in risky, illiquid, alternative investments (e.g. life insurance premium financing, a water park, an oil drilling and production company, and real estate funds).

20. Putman never disclosed that the WM Funds were actually risky, illiquid, alternative investments. To the contrary, Putman's oral representations, representations in the WM Funds' offering documents, and general representations on WM's website indicated the opposite - that the WM Funds were safe investments aimed at preserving principal while offering easy access to investors' cash reserves.
21. Putman, during in-person meetings with WM Investors and through WM's quarterly and annual statements, reported positive, consistent investment returns.
22. Putman (independently or through WM) never analyzed the WM Funds' values or performed any objective due diligence. To the contrary, he accepted and passed on to WM Investors the WM Funds' positive values as reported by their third-party managers.
23. WM, and as a result Putman, charges a fee for investment services (usually 1%-1.25% of a WM Investor's managed investment assets) and in some cases an "Incentive Allocation" (5% or 10% of the annual profits). The management fee and Incentive Allocation were WM's compensation source for managing the WM Funds' assets.
24. The WM Funds invested in life insurance premium financing through The Brown Investment Fund, L.P. ("Brown") and The Baetis Fund, L. P. ("Baetis").
25. According to the SEC's Complaint, the WM Funds were the sole investors or the majority investors in Brown and Baetis.
26. Putman knew or should have known that life insurance premium financing was a risky, illiquid, and volatile investment.
27. According to the SEC's Complaint, in 2006 and 2007 Putman took \$1.24 million in undisclosed kickbacks derived from the WM Funds' investments in Brown and Baetis

while at the same time he continued to invest WM Investors' money into the WM Funds and in turn the WM Funds' assets into Baetis and Brown.

28. As a result of Putman's actions, the WM Investors sustained significant financial losses. The Receiver made relatively small distributions in the SEC Litigation to some investors in May, 2010. The WM Investors do not expect any significant additional distribution(s). The WM Investors' *minimum* financial losses (as determined by the Receiver), not including the one-time distributions in May, 2010, are listed below:

Mae V. Anderson	\$1,074,802.00
David M. and Barbara G. Angell	\$ 984,000.00
Robert J. and Kathryn A. Bechard	\$ 802,522.00
John E. and Teresa Bobinski,	\$ 484,072.00
Peter L. and Catherine D. Brockman	\$ 703,702.00
William J. and Margo R. Brusky	\$ 967,811.00
Paula C. Chandler	\$1,445,974.00
Daniel and Helen E. loud	\$ 464,006.00
John P. and Christine L. Gauder	\$1,918,817.00
Steven B. and Karen Hughes	\$ 704,000.00
John P. and Elizabeth Laritson	\$ 682,000.00
David A. and Jean Lawrence	\$1,444,839.00
Joseph P. McCormick	\$ 335,000.00
John P. and Peggy L McCullough	\$ 827,989.00
Donald J. and Sylvia McDonald	\$1,270,014.00
Robert S. and Caroline C. McDonald	\$ 677,267.00

Beatrice Occhietti	\$1,546,847.00
Paul M. and Pamela O'Connor	\$2,138,196.00
Bienvenido C. and Emma D. Palaganas	\$ 869,248.00
Robert R. and Marianna Poole (Trustees of the Poole Revocable Trust)	\$1,072,688.00
Christopher A. and Monique M. Prato	\$ 350,000.00
Peter W. and Teresa A. Radford.	\$1,815,000.00
Sharon M. Ramos	\$1,298,537.00
Gordon and Sue Rule	\$ 600,000.00
Peter J. and Jacalyn L. Schubbe (Trustees of the Schubbe Living Trust U/A DTD 1/15/09)	\$1,128,198.00
Ilan and Carol Shapiro	To be determined
Donald and Theresa Sipes (Trustees of the Sipes Family Trust)	\$1,826,055.00
Don C. and Barbara B. Smith	\$ 812,681.00
Paul C. Utrie and Robin Goldsmith	To be determined
James P. and Sandra J. Verhoeven	\$ 691,151.00
Faro and Serafina Vitale	\$ 724,372.00
Richard P. and Marcia Voss	\$ 2,252,581.00
David R. and Mary Weber	\$ 895,732.00
Joseph G. and Barbara J. Zondlo	\$ 388,000.00
Quetzal	\$ 171,000.00
WML	\$ 378,800.00
Gryphon	\$ 1,731,400

FIRST CLAIM FOR RELIEF

Determination of Dischargeability, 11 U.S.C. § 523(a)(2)(A)

29. Plaintiffs reallege and incorporate by reference allegations numbered 1-28.
30. Putman obtained money or property from Plaintiffs using false pretenses, false representations and/or actual fraud. Specifically Putman (a) mischaracterized the stability and liquidity of the WM Funds, and as a result investments in them; (b) misrepresented and/or concealed the risky ventures in which the WM Funds' were invested (e.g. life insurance premium financing, real estate and oil drilling and production); (c) inflated the WM Funds' values (and/or accepted and passed on inflated values without inquiry or confirmation) thereby increasing WM's and in turn Putman's management fees and Incentive Allocations; (d) concealed his kickbacks, derived because the WM Funds invested in Brown and Baetis; and (e) continued, while receiving kickbacks, to secure additional investment funds from WM Investors and as a result, funnel more money to the WM Funds and as a result into Brown and Baetis.
31. Putman should have advised the WM Investors that the WM Funds were risky, illiquid investments. Had he been truthful with the WM Investors they would not have invested in the WM Funds and/or would have requested redemption of their investments.
32. As a direct and proximate result of Putman's actions or omissions, each of the WM Investors has been damaged in the amount specified in paragraph number 28 above.
33. Pursuant to 11 U.S.C. § 523(a)(2)(A), Putman's debt and/or liabilities to the WM Investors are exceptions to discharge and nondischargeable in Putman's Chapter 7 bankruptcy filing underlying this Complaint.

SECOND CLAIM FOR RELIEF

Determination of Dischargeability, 11 U.S.C. § 523(a)(2)(B)

34. Plaintiffs reallege and incorporate by reference allegations numbered 1-33.
35. Putman obtained money and/or property from and incurred debts and liabilities to the WM Investors using written statements that (a) were materially false, (b) respected Putman's and/or WM's financial condition, (c) on which the WM Investors relied in making their first or subsequent investments, and (d) that Putman caused to be made or published with intent to deceive.
36. As a direct and proximate result of Putman's actions or omissions, each of the WM Investors has been damaged in the amount specified in paragraph number 28 above.
37. Pursuant to 11 U.S.C. § 523(a)(2)(B), Putman's debt and/or liabilities to the WM Investors are exceptions to discharge and nondischargeable in Putman's Chapter 7 bankruptcy filing underlying this Complaint.

THIRD CLAIM FOR RELIEF

Determination of Dischargeability, 11 U.S.C. § 523(a)(4)

38. Plaintiffs reallege and incorporate by reference allegations numbered 1-37.
39. Putman obtained money and property from and incurred debts and liabilities to the WM Investors by fraud or defalcation while acting in a fiduciary capacity, embezzlement, or larceny.
40. As a direct and proximate result of Putman's actions or omissions, each of the WM Investors has been damaged in the amount specified in paragraph number 28 above.
41. Pursuant to 11 U.S.C. § 523(a)(4), Putman's debt and/or liabilities to the WM Investors are exceptions to discharge and nondischargeable in Putman's Chapter 7 bankruptcy filing underlying this Complaint.

FOURTH CLAIM FOR RELIEF

Determination of Dischargeability, 11 U.S.C. § 523(a)(6)

42. Plaintiffs reallege and incorporate by reference allegations numbered 1-41.
43. Putman obtained money and property from and incurred debts and liabilities to the WM Investors by willful and malicious injury to the WM Investors and/or their property.
44. As a direct and proximate result of Putman's actions or omissions, each of the WM Investors has been damaged in the amount specified in paragraph number 28 above.
45. Pursuant to 11 U.S.C. § 523(a)(4), Putman's debt and/or liabilities to the WM Investors are exceptions to discharge and nondischargeable in Putman's Chapter 7 bankruptcy filing underlying this Complaint.

FIFTH CLAIM FOR RELIEF

Determination of Dischargeability, 11 U.S.C. § 523(a)(19)

46. Plaintiffs reallege and incorporate by reference allegations numbered 1-45.
47. Putman's debts and/or liabilities to the Plaintiffs are for:
- a. violating any Federal securities laws (as that term is defined in section (a)(47) of the Securities Exchange Act of 1934), any of the State securities laws, or any regulation or order issued under such Federal or State securities laws; and/or
 - b. common law fraud, deceit or manipulation in connection with the purchase or sale of any security.
48. As a direct and proximate result of Putman's actions or omissions, each of the WM Investors has been damaged in the amount specified in paragraph number 28 above.
49. Pursuant to 11 U.S.C. § 523(a)(19), Putman's debt and/or liabilities to the WM Investors are exceptions to discharge and nondischargeable in Putman's Chapter 7 bankruptcy filing underlying this Complaint.

WHEREFORE, Plaintiffs respectfully request that this Court enter judgment in Plaintiffs' favor and against Debtor Putman as follows:

- A. Pursuant to § 523(a)(2)(A) of the Bankruptcy Code, Debtor/Defendant obtained money and/or property from Plaintiffs using false pretenses, false representations and/or actual fraud; therefore, Debtor/Defendant's liabilities and/or debts are exempt from discharge.
- B. Pursuant to § 523(a)(2)(B) of the Bankruptcy Code, Debtor/Defendant obtained money and/or property using written statements that (a) were materially false, (b) respected Putman's and/or WM's financial condition, (c) on which the WM Investors relied in making their first or subsequent investments, and (d) that Putman caused to be made or published with intent to deceive; therefore, Debtor/Defendant's liabilities and/or debts are exempt from discharge.
- C. Pursuant to § 523(a)(4) of the Bankruptcy Code, Debtor/Defendant obtained money and property from and incurred debts and liabilities to the WM Investors by fraud or defalcation while acting in a fiduciary capacity, embezzlement, or larceny; therefore, Debtor/Defendant's liabilities and/or debts are exempt from discharge.
- D. Pursuant to § 523(a)(6) of the Bankruptcy Code, Debtor/Defendant's liabilities and/or debts to Plaintiffs are the result of willful and malicious injury to Plaintiffs and, therefore, are exempt from discharge.
- E. Pursuant to § 523(a)(19) of the Bankruptcy Code, Debtor/Defendant's liabilities and/or debts to the WM Investors are for (a) violating any

Federal securities laws (as that term is defined in section (a)(47) the Securities Exchange Act of 1934), any of the State securities laws, or any regulation or order issued under such Federal or State securities laws; and/or (b) common law fraud, deceit or manipulation in connection with the purchase or sale of any security; therefore, Debtor/Defendant's liabilities and/or debts are exempt from discharge.

Dated: January 13, 2011

MELNICK & MELNICK, S.C.
Attorneys for Plaintiffs

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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF WISCONSIN

In Re: James E. Putman and Christine A. Putman
Debtors.

Case Number: 10-32980-mdm
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WML Quetzal Partners, L.P., Wealth Management LLC, and WML Gryphon
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Plaintiffs,

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CERTIFICATE OF SERVICE

I hereby certify that on the 13th day of January, 2011, I caused to be electronically filed the foregoing Amended Complaint Objecting to Dischargeability with the Clerk of the Bankruptcy Court using the ECF system which will send electronic notification of such filing to the following:

- Joseph M. Engl
- Larry H. Liebzeit
- Matthew W. Haapoja
- Office of the U.S. Trustee

and further, on January 13, 2011 I will have served such document via first-class U.S. mail on the following parties:

James Putman
311 Cleveland St.
Menasha, WI 54952

Christine Putman
311 Cleveland St.
Menasha, WI 54952

Dated: January 13, 2011

MELNICK & MELNICK, S.C.
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