

# Quarles & Brady

## Investors' Advisory Committee Meeting

Re: Wealth Management, LLC Receivership

Thursday, January 28, 2010, 1 p.m. CST

Offices of Quarles & Brady, 411 Wisconsin Avenue, Milwaukee, WI

The third meeting of the Investors' Advisory Committee was held on the above date to review the status of the recovery of assets by the Receiver (Faye Feinstein) and to provide the committee with an opportunity to ask questions of the Receiver, and an opportunity to provide information to the Receiver.

All individual Wealth Management clients who expressed an interest in joining the committee were so appointed and invited to the meeting. A list of meeting attendees follows:

### **Quarles & Brady**

Faye Feinstein, Esq.

Michael Schaalman, Esq.

### **Advisory Committee Members Present**

Charles H. Bergmann, Jr.

Robert and Marcy Coglianesse

David Lawrence

John and Julie Leschke

David & Mary Weber

*(By Conference Call)*

Gary Bernegger

Keith Kwaterski

Don Smith

Dale Van Scoyk

Tom Weber

The meeting began at 1 p.m. and concluded shortly after 5 p.m.

### **Receiver's Plan of Distribution**

The primary discussion topic for the afternoon was the Receiver's Plan of Distribution. The

main issues were the objections filed by two investors to the plan, and their having taken an appeal to the Circuit Court in an effort to reverse Judge Griesbach's order approving the Plan. The appellants have requested to stay temporarily any distribution of assets. As of the meeting date the request for stay had not been ruled on by Judge Griesbach (the stay request has since been denied by both Judge Griesbach and the Court of Appeals).

The appeal seeks to have investors who had submitted fund share units for redemption prior to liquidation, to be treated as creditors, rather than equity holders. Success of the appeal would mean that these investors would be paid as creditors before investors who had not placed their units in for redemption.

The Receiver's Plan recognizes and treats all investors in the funds the same, regardless of whether they made redemption requests.

The appeal would probably not be resolved until the fall of 2010.

In light of the pending appeal, the Receiver has not yet computed specific distribution amounts for investors. The appeal represents two objections to the Plan of Distribution with the other 298 investors not objecting.

In December, the Receiver sent all fund investors cash statements regarding their fund holdings, as computed by the Receiver's accountant. The Receiver has received only three objections from investors as to the value of their accounts and these issues are being resolved. These values will be used to compute distributions.

### **Business Issues**

The Receiver had planned to vacate the Wealth Management leased office space at W6272 Communications Court, Appleton at the end of November. However, due to the need to keep the computer servers active for information retrieval, the shutdown has been delayed until after the initial distribution is made to investors.

Any information required from the servers or Wealth Management records has been supplied by former Wealth Management employee, John Wypiszinski, who is employed (as needed) on an hourly basis by the Receiver.

The building contents is collateral of the bank and the bank is currently paying insurance on those assets, and will liquidate them, with the proceeds to be applied to their debt.

### **Baetis & Brown**

(As stated in the minutes of the October meeting)

Baetis & Brown is the primary entity holding the Life Insurance Premium Finance investments for the funds. The general/managing partner of Baetis and Brown is Wood,

Hat & Silver, which is under the direction of Joseph Aaron.

Baetis & Brown received investment funds from Wealth Management and these funds in turn went into trusts that made loans to individuals to buy insurance policies. Income on the investments was to be in the form of accrued interest on the loans. When the policies were to be sold on the secondary market in two years' time, the fund would receive a return of principal plus interest.

In 2006, the secondary market for these policies began to dry up until today there is a very limited demand for policies. In that there was never a contingency fund funded by Baetis & Brown to make premium payments beyond the two year time frame (if the policy holder opted not to do so), many of these policies have lapsed, with a resultant zero value.

At the present time, the Receiver has an individual employed on a retainer basis to market the policies with an additional, pre-set commission fee to be paid for each policy sold and investment dollars recovered.

The Receiver reported at the January meeting that there is presently little chance of any significant recovery of assets from the Life Insurance Premium Finance holdings. Although some of these holdings produced significant profit for the funds four years ago, most of the profit was reinvested (MKA holdings) and no longer available for distribution.

However, there are still policies in force and the Receiver's attorney is meeting with the principals of Wood Hat and Silver to determine what our chances of asset recovery will be in the future.

#### **Additional Sub-Funds**

A number of the sub-funds are in liquidation or bankruptcy, but some of the sub-funds are providing some income to the WML funds.

#### **2009 K-1s**

The Receiver's accountant is currently working on the preparation of 2009 K-1s and their distribution will (again) depend upon the timeliness of the receipt of information from the sub-fund managers.

#### **Wealth Management Fund Assets as of January 25, 2010**

Gryphon	\$1,679,796.
Palisade	\$1,534,743
Pantera	\$ 115,740
Quetzal	\$ 544,917
Watchstone	\$ 280,581

L3                    \$ 5,882  
                         **\$4,161,659**

**Estimated Cash Receipts January - June 2010 (all funds)**  
**\$1,247,800**

**Recovery of Assets From Wealth Management Principals**

Putman has issued a promissory note to several of the funds for \$722,000 (approximately 57% of the amount of the kickback), payable in seven years, with interest-only payments beginning October 2009. The initial interest payment has not been made and the note is in default. The Receiver continues to pursue this payment, and intends to file a complaint against Putman seeking recovery.

At present, Putman is litigating with the SEC, while Fevola is reported to be working on a settlement. The Receiver is not privy to the details of either case. As to recovering damages from Putman, the Receiver anticipates that there are few assets available, in that the public records show that he has property in foreclosure and is representing himself without counsel in negotiations with the SEC.

**Legal Fees**

Initial fees and expenses were paid to Quarles & Brady in August 2009 in the amount of \$239,000 for the period May 18, 2009 to June 30, 2009.

A fee request for the period from June 30, 2009 to December 31, 2009, in the amount of approximately \$500,000, will be submitted first to the SEC, and then to the court for approval.

Rates have not been increased for the current year and represent a discount of normal fees charged.

**Adjournment/Next Meeting**

The meeting was adjourned shortly before 5 p.m. with plans to meet next following results of the appeal and any significant development in recovery of assets.

C.H. Bergmann, Jr.  
For the Investors' Advisory Committee  
WML Receivership  
02-16-10