

Memorandum

June 18, 2010



To: Investors in the Palisade and Watch Stone Funds

As you may know, when I was appointed in May of 2009, the Court issued an order freezing the assets of the WM Funds. Four parties, David Janssen, M.D., Fox Valley Plastic Surgery 401(k), the Joanne Miller Trust, and Riek & Associates (collectively, the “Securities Holders”), brought motions asking the Court to clarify or modify the freeze order so that they may obtain payments on notes that they received from the Brown Investment Fund LP (the “Brown Fund”), which is one of the sub-funds in which Palisade and Watch Stone made investments. The value of these notes, together with a note from the Brown Fund to the Wood, Hat & Silver, LLC 401(k) Profit Sharing Plan & Trust, totals approximately \$1,780,000. As of January 31, 2010 (the last date for which we have a firm figure), cash in the Brown Fund totaled \$1,529,546.60.

In an effort to try to preserve the cash in the Brown Fund for the benefit of WM investors, I opposed the Securities Holders’ motions, arguing that the freeze order prevents distribution of assets from the Brown Fund, 95.27% of which were invested by the WM Funds. I also argued that the freeze order should not be modified, because the notes are illegally issued securities. Accordingly, my position is that the Securities Holders should be viewed as standing in the same position as the WM Funds’ investors with respect to collecting assets from the Brown Fund.

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Having reviewed the briefs, the Court issued a decision with the narrow holding that the freeze order does not apply to the Brown Fund, because I do not control that fund. This decision allowed the Securities Holders to renew their demands to the Brown Fund for payment on their notes. In light of this decision, my counsel negotiated with counsel for the Securities Holders to have any money paid out by the Brown Fund put into trust, pending the outcome of further litigation. We have confirmed that funds have been paid out into trust, and the Brown Fund's lawyer has confirmed that amounts remaining in the Brown Fund will also be held in trust pending the outcome of the litigation.

I have filed an action for declaratory judgment against the Securities Holders, Wood, Hat & Silver, LLC, the Brown Fund, and the Brown Funds' managing partner, Joseph Aaron (U.S. District Court for the Eastern District of Wisconsin Case No. 10-C-0312), asking the Court to find that the notes are securities, and requesting an order that equitably subordinates the Securities Holders' interests so that they are treated on a par with the interests of the WM Funds' investors. The JoAnn Miller Trust and Riek & Associates filed a Motion to Dismiss that action, arguing that the Court had already denied the equitable subordination claim and that the Complaint fails to state a claim. The Receiver has filed a brief in opposition to that motion, arguing that the issue of equitable subordination has not been decided by the Court and setting forth the factual and legal reasons that the Complaint should not be dismissed. The Court's decision on that motion is pending. I will keep you informed.