

Quarles & Brady

Investors' Advisory Committee Meeting

Re: Wealth Management, LLC Receivership

Friday, August 13, 2010, 1 p.m. CDT

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

The fourth 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.

Gary Bernegger

Roland and Joanna Christian

Robert and Marcy Coglianesse

John and Julie Leschke

David Miller

David & Mary Weber

Tom Weber

(By Conference Call)

Ken Huizenga

Keith Kwaterski

David and Edy Lawrence

Don Smith

Rollie Stephenson

Dale Van Scoyk

The meeting began at 1 p.m. and concluded at 3:30 p.m.

Agenda and Discussion

Houston Casualty Company Settlement

The Receiver reported that she and the insurance company have negotiated a settlement of \$500,000 that will be paid proportionately to the funds when received. The settlement is currently in the hands of the judge for final approval.

This face value of the policy was \$1M for errors and omissions or other liabilities created by company principals. The settlement is the negotiated result of the Receiver's claim for \$1M and the insurance company's initial denial of any liability demanding payment.

There was a second, similar policy, but its coverage expressly excluded claims related to the SEC investigation.

Dispute with Community First Credit Union

Community First Credit Union of Appleton held a line of credit note for Wealth Management, LLC ("WML") and was entitled to first payment of company assets to settle the bank's claim.

In violation of orders issued by the District Court, Community First took possession of funds in the company's checking account in June 2009.

The Receiver has reviewed the claims of former WML employees regarding wages and retirement benefits that amount to over \$20,000, which she believes have priority over the claims of Community First under Wisconsin employment law. The Receiver is trying to recover from the bank the amounts which it took from the company's checking account to be used to pay these claims, as well as other funds from which she recovered from the liquidation sales of WML's assets (office furniture and other office contents), following vacating the premises this spring.

Fee Application of the Receiver, Pending Approval

Quarles and Brady legal fees for the Receivership in the amount of \$469,200 have been submitted to the court for approval. Fees cover the period January 1, 2010 to May 31, 2010. The Receiver does not expect fees to continue to accrue at the rate they have been, as many of the time consuming projects have been completed.

Request of Certain Investors to Abandon Their Interests in the WML Funds

Some investors have asked the Receiver about the process of abandoning investments in the funds and thus renouncing any future claims on the funds. In many cases this is motivated by possible tax advantages in that investors may be able to take passive losses against 2010 tax obligations.

The Receiver will be sending a memo to all investors regarding abandonment. She will also be providing information regarding the current status of the sub-funds, the prospects of potential future recoveries, fund balances, and possibly estimated future distributions.

Once this information is finalized, it will be provided to investors along with investors' percentage of ownership in the funds. In this way investors can weigh the potential of future recovery versus advantages of abandoning the investments.

The Receiver is not in a position to offer tax or investment advice, nor to guarantee what assets will be recovered. What will be provided will be the best estimate based on what is currently known about the status of the WML funds and sub-funds.

Brown & Baetis Funds (Wood, Hat & Silver)

Brown (Watchstone investments) and Baetis (Gryphon investments) are the West Coast funds that held/hold the life insurance premium finance investments. Wood, Hat & Silver is the General Partner controlling the funds.

Many of the policies have lapsed due to non-payment of premiums, but currently there are offers to purchase some of the few policies remaining in the funds. The sales are not assured at this time, nor has the WML funds' potential portion of the possible proceeds been determined.

The Receiver and Wood, Hat & Silver are disputing the non-payment of a death benefit by one insurance company, which claims that a premium payment was in arrears. If this dispute is resolved in favor of the funds, the WML funds may see some recovery. However, again amounts are not certain at this time.

In any case, the Receiver does not expect significant recovery of assets from the life insurance premium finance holdings.

There is litigation in process regarding the payment of certain notes to individuals who allegedly loaned approximately \$800K to the Brown Fund. At present, money to repay the obligations is being held in trust awaiting outcome of litigation initiated by the Receiver. The Receiver contends that the notes should be subordinated so as to be treated on a par with the equity interests of the investors, as the notes were essentially investments. The Receiver hopes to have a ruling on the litigation this fall.

Other Sub-Funds

A number of the sub-funds remain in liquidation or bankruptcy and, in some cases, are still providing some income to the WML funds. It is anticipated that there will be some asset recovery from some of the sub-funds over the next few years.

Additional Litigation

A number of investors have contacted outside legal counsel to determine if there are alternative means to recover assets beyond the Receivership. The Receiver is cooperating with these attorneys in supplying pertinent information that may be of use to their understanding of the investments, and thus enabling them to determine the potential for alternative recoveries.

James Putman and Simone Fevola

During the meeting, the Receiver was informed that Putman has filed a bankruptcy case. The litigation against Putman regarding the non-payment of his \$720K promissory note and interest to the funds is, therefore, stayed, and can not proceed.

The Receiver has reached a settlement in principal with Fevola which is subject to documentation.

Ponzi Scheme

There was discussion regarding classification of the WML investments as those of a Ponzi scheme. If that determination could be validated, there would be tax advantages to the harmed investors. However, opinions rendered to date by some accountants and legal researchers doubt that the investments can be so categorized.

The Receiver's accountant is going to take a preliminary look at various records and cash flows to determine if the question justifies the expense of further investigation.

2009 K-1s

The Receiver's accountants are currently working on the preparation of 2009 tax returns and K-1s and their distribution will (again) depend upon the timeliness of the receipt of K-1s from the sub-fund managers. K-1s are expected to be completed prior to the September 15 deadline.

The meeting was adjourned at 3:30 p.m

C.H. Bergmann, Jr.
For the Investors' Advisory Committee
WML Receivership
08-20-10