

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF WISCONSIN  
GREEN BAY DIVISION**

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SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

Civil Action No: 09-C-506

WEALTH MANAGEMENT LLC,  
JAMES PUTMAN, and SIMONE FEVOLA,

Defendants, and

WML GRYPHON FUND, LLC;  
WML WATCH STONE PARTNERS, L.P.; WML  
PANTERA PARTNERS, L.P.; WML PALISADE  
PARTNERS, L.P.; WML L3, LLC;  
WML QUETZAL PARTNERS, L.P., and  
EMPLOYEE SERVICES OF APPLETON, INC.,

Relief Defendants.

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**MOTION OF FAYE B. FEINSTEIN, RECEIVER FOR WEALTH MANAGEMENT LLC  
AND THE RELIEF DEFENDANTS, FOR ENTRY OF AN ORDER (A) APPROVING  
SETTLEMENT WITH VALSTONE FUNDS AND (B) GRANTING RELATED RELIEF**

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Faye B. Feinstein, Receiver for Wealth Management LLC (“WM”), and the Relief Defendants, WML Gryphon Fund LLC (“Gryphon”), WML Watch Stone Partners, L.P. (“Watch Stone”), WML Pantera Partners, L.P. (“Pantera”), WML Palisade Partners, L.P. (“Palisade”), WML L3, LLC (“L3”), and WML Quetzal Partners, L.P. (“Quetzal”, and together with Gryphon, Watch Stone, Pantera, Palisade, and L3, the “WM Funds”) and Employee Services of Appleton, Inc. (“ESA”), hereby asks the Court to enter an order (the “Settlement Order”) (a) approving the settlement of certain claims and disputes (“Settlement”) between the Receiver and the following entities (collectively, the “Valstone Funds”): (i) Valstone Opportunity Fund III(b), LLC; (ii) Valstone Opportunity Fund III(b)-AIV I, LLC (together with Valstone Opportunity Fund III(b),

LLC, “Valstone III(b)”); (iii) Valstone Opportunity Fund IV, LLC, and (iv) Valstone Opportunity Fund IV-AIV I, LLC (together with Valstone Opportunity Fund IV, LLC, “Valstone IV”) and (b) approving the Receiver’s entry into a letter agreement memorializing the settlement (the “Settlement Agreement”) and accepting the promissory note (the “Note”) described therein (executed copies of the Settlement Agreement and the Note are attached hereto as Group Exhibit A). In support, the Receiver states:

### **General Background**

1. The captioned enforcement action was initiated by a complaint filed by the United States Securities and Exchange Commission on May 20, 2009. Pursuant to the Court’s *Order Appointing Receiver* dated May 20, 2009 (Docket No. 8) and the subsequent *First Modified Order Appointing Receiver* (Docket No. 14) (the “Modified Receiver Order”), Faye B. Feinstein was appointed Receiver for WM and the WM Funds, which receivership was later extended by the Court to include ESA.

2. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§754, 1367(a), and the inherent equitable powers of the Court. Pursuant to Fed. R. Civ. P. 66, the Federal Rules of Civil Procedure apply to this matter.

3. Each of the WM Funds is itself invested in other investment funds and/or directly in alternative investments (such investment funds and direct investments, collectively, the “sub-funds”). Among the Receiver’s remaining tasks is to pursue distributions to the WM Funds from the various sub-funds and to exit from the sub-funds as and when appropriate.

### **Disputes Between Receiver and the Valstone Funds**

4. Prior to the Receiver's appointment, Gryphon committed to invest \$2 million into Valstone III(b), a sub-fund that invested in, among other things, debt obligations. Gryphon invested \$1,928,647<sup>1</sup> of that commitment, but failed to invest the remainder of its commitment.

5. Prior to the Receiver's appointment, Gryphon committed to invest \$3.5 million into Valstone IV, a sub-fund that invested in, among other things, debt obligations, and Gryphon did invest \$350,000 of that commitment, but failed to invest the remainder of its commitment.

6. In the aggregate, pre- and post-receivership, Gryphon has received distributions from Valstone III(b) totaling \$1,802,518 (most recently, \$126,138 in August 2012) and from Valstone IV totaling \$14,000 (distributed before the appointment of the Receiver). The Valstone Funds have confirmed to the Receiver that, since the August 2012 distributions were made, no other distributions have been made to investors in Valstone III(b) that were not also made to Gryphon.

7. Since late 2011, the Receiver and Valstone have discussed various options for Gryphon's exiting from Valstone III(b) and Valstone IV. Among the issues the Receiver and the Valstone Funds addressed are (a) the appropriate calculation of Gryphon's percentage interest in Valstone III(b); (b) the asserted right of the Valstone Funds to offset unpaid capital calls against distributions due and owing to Gryphon; (c) the effect of Gryphon's unpaid capital calls on its right to recovery from the Valstone Funds; (d) the right of Gryphon to receive repayment of its investment in Valstone IV; (e) the ability of the Valstone Funds to make immediate distributions to Gryphon given their current liquidity status, and (f) the timing of Gryphon's exit from the Valstone Funds, given the anticipated maturity dates of the Valstone Funds and the Receiver's responsibility to wind-down the receivership estates expeditiously.

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<sup>1</sup> Figures in paragraphs 4-6 are rounded to the nearest dollar.

### Relief Requested

8. The Receiver asks the Court to approve the Settlement described herein and to enter the Settlement Order.

9. The Receiver and the Valstone Funds, each without conceding that it has any liability to the other, but to avoid the cost and uncertainty of litigation, have agreed on the terms of the Settlement as a means of resolving the issues described above. The principal terms of the Settlement may be summarized as follows<sup>2</sup>:

(a) Upon entry of the Settlement Order, Valstone III(b) shall pay to Gryphon the sum of \$71,353.58, on account of distributions owed to Gryphon but withheld by the Valstone Funds to offset unpaid capital contributions.

(b) Gryphon shall be deemed to have a 6.699% interest<sup>3</sup> in Valstone III(b) on a go-forward basis and shall be entitled to share in distributions made by Valstone III(b) to its investors on that basis, *provided, however*, that Valstone III(b) may retain the first \$71,353.58 to which Gryphon would otherwise be entitled before making further cash distributions to Gryphon.

(c) The parties agree that the value of Gryphon's investment in Valstone IV shall be deemed to be \$364,000.

(d) In lieu of immediate payment from Valstone IV, the Receiver will accept a promissory note (the "Note") from Valstone IV, as maker and "Borrower," in the face amount of \$364,000, bearing interest at a rate of 0.89% per annum, with all principal and interest to be due and payable on the earlier of (i) March 17, 2017; (i) the occurrence of

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<sup>2</sup> The following is intended to be a summary of the terms of the Settlement; interested parties should review the documents attached as Group Exhibit A hereto, which documents control in the event of any inconsistency with this Motion.

<sup>3</sup> This percentage is based upon Gryphon's actual funding, rather than the slightly higher percentage that Gryphon would have had if its full equity commitments had been honored.

an event of default under the Note, and (iii) the delivery to Valstone IV by the Receiver of a notice that she intends to petition this Court to close the Gryphon receivership estate. If the Gryphon receivership estate is closed prior to March 17, 2017, Valstone IV will be entitled to pay Gryphon a discounted principal amount, with the amount of the discount being calculated on a sliding scale, depending upon how far in advance of March 17, 2017, the Gryphon receivership estate is closed.

(e) The Receiver and the Valstone Funds will exchange mutual releases, except that the Receiver shall not release the Valstone Funds for their obligations under the Settlement Agreement or from fraud.

10. The Modified Receiver Order vests the Receiver with the authority to take control of all assets of WM and the WM Funds and to “take such steps as [she] deems necessary to secure such . . . property.” Modified Receiver Order, §II.A, at 3-4.

11. A “necessary corollary” of the authority to pursue assets of the receivership estates is that a “receiver has the power, when so authorized by the court, to compromise claims either for or against the receivership”. *SEC v. Credit Bancorp, Ltd.*, No. 99 Civ. 11395, 2002 WL 1792053, at \*4 (S.D.N.Y. Aug. 2, 2002) (citation omitted).

12. This Court has “wide discretion to determine the appropriate relief in an equity receivership.” *SEC v. Capital Consultants, LLC*, 397 F.3d 773, 738 (9th Cir. 2005). *See also SEC v. Enterprise Trust Co.*, No. 08 C 1260, 2008 WL 4534154, at \*3 (N.D. Ill. Oct. 7, 2008), *aff’d*, 559 F.3d 649 (7th Cir. 2009). One of the “primary purpose[s] of equity receiverships is to promote orderly and efficient administration of the estate.” *SEC v. Hardy*, 803 F.2d 1034, 1038 (9th Cir. 1986).

13. The Court's power includes the power to approve a settlement "if the district court finds that the proposed settlement is fair." *SEC v. Princeton Economic Int'l Ltd.*, No. 99 Civ. 96667, 2002 WL 206990, at \*1 (S.D.N.Y. Feb. 8, 2002). That approval should be forthcoming if the settlement is "prudent in the administration of the assets of the estate" and should balance factors that include the validity of the claims at issue; the difficulties, delay, and expense involved in litigating the claims, and the amount involved in the compromise. *SEC v. Arkansas Loan & Thrift Corp.*, 297 F. Supp. 73, 78 (W.D. Ark. 1969), *aff'd*, 427 F.2d 1171 (8th Cir. 1970).

14. Moreover, "a precise determination of likely outcomes is not required, since 'an exact judicial determination of the values in issue would defeat the purpose of compromising the claim.'" *In re Telesphere Communications*, 179 B.R. 544, 553 (Bankr. N.D. Ill. 1994) (quoting *In re Energy Co-Op, Inc.*, 886 F.2d 921, 929 (7th Cir. 1989)) (regarding bankruptcy court approval of settlement). All that is required is for the Court to be persuaded that the proposed settlement does not fall "below the lowest point in the range of reasonableness." *In re Apex Oil Co.*, 92 B.R. 847, 867 (Bankr. E.D. Mo. 1988) (citation omitted) (same).

15. The Receiver and the Valstone Funds have exchanged information regarding the issues outlined above, including information regarding the net value of the assets in the Valstone Funds and the rights and responsibilities of the Receiver and the Valstone Funds under the documents governing Gryphon's membership in the limited liability companies that constitute the Valstone Funds (the "Fund Documents"). The parties have negotiated the Settlement at arm's-length and in good faith, over the course of 18 months. Based on the language of the relevant documents, analysis of the information described above, and the negotiations described herein, and after considering (a) the value provided to the receivership estates by the payments

described in paragraph 9(a), the delivery of the Note and the payment described therein, and the determination of Gryphon's percentage interest in Valstone III(b); (b) the complexity of the Fund Documents and the extent of the manager's discretion thereunder; (c) the fact that Valstone III(b) has already returned almost 93.5% of Gryphon's investment; (d) the Receiver's evaluation of the likelihood of obtaining value for the Gryphon receivership estate in excess of that provided by the Settlement, *net of* litigation costs, and (e) the concomitant risk of a finding, after litigation, that the Gryphon receivership estate is either entitled to less than the value provided by the Settlement, or has liability to the Valstone Funds, the Receiver has concluded in her business judgment that the terms of the Settlement are fair and reasonable in all respects and represent a favorable resolution of the disputes described above.

16. The Receiver will post this Motion, including Group Exhibit A, to the Receiver Web Site and shall send a copy thereof, by electronic mail, to all investors in Gryphon.

17. The Receiver asks the Court to find such notice to be sufficient and that no other or further notice of the Motion is required.

WHEREFORE, Faye B. Feinstein, as Receiver for WM and the WM Funds, respectfully requests (A) entry of the Settlement Order, in the form submitted herewith and attached hereto as Exhibit B, and (B) such other and further relief as the Court deems appropriate.

Respectfully submitted this 29th day of April, 2013.

s/ Christopher Combest  
Christopher Combest, One of the Receiver's Attorneys

QUARLES & BRADY LLP  
300 North LaSalle Street, Suite 4000  
Chicago, IL 60654  
Phone: (312) 715-5000  
*Counsel to Faye B. Feinstein, Receiver*

**CERTIFICATION OF COUNSEL UNDER CIVIL L.R. 7.1(a)**

I, Christopher Combest, counsel for the Receiver in the captioned proceeding, hereby certify, pursuant to Civil L.R. 7.1(a)(2) of this Court, that the Movant hereunder does not intend to file a brief or supporting documents with respect to this Motion (other than exhibits attached to the Motion itself).

Respectfully submitted this 29th day of April, 2013.

s/ Christopher Combest  
Christopher Combest, One of the Receiver's Attorneys

QUARLES & BRADY LLP  
300 North LaSalle Street, Suite 4000  
Chicago, IL 60654  
Phone: (312) 715-5000  
Facsimile: (312) 632-1727  
*Counsel to Faye B. Feinstein, Receiver*

**Group Exhibit A**

**Settlement Agreement and Note**



300 North LaSalle Street  
 Suite 4000  
 Chicago, Illinois 60654-3422  
 Tel 312.715.5000  
 Fax 312.715.5155  
 www.quarles.com

**Attorneys at Law in:**  
*Phoenix and Tucson, Arizona*  
*Naples and Tampa, Florida*  
*Chicago, Illinois*  
*Milwaukee and Madison, Wisconsin*  
*Washington, DC*  
*Shanghai, China*

Faye B. Feinstein  
 Writer's Direct Dial: 312.715.5069  
 Writer's Fax: 312.632.1723  
 E-Mail: faye.feinstein@quarles.com

March 11, 2013

**Via E-Mail and UPS 2nd Day**

Kenneth Abel, Esquire  
 Ober, Kaler, Grimes & Shriver  
 100 Light Street  
 Baltimore, Maryland 21202

Re: Resolution of Matters Between WML Gryphon Fund, LLC ("Gryphon") and ValStone Opportunity Fund III(b), LLC; ValStone Opportunity Fund III(b)-AIV I, LLC; ValStone Opportunity Fund IV, LLC; and ValStone Opportunity Fund IV-AIV I, LLC (each a "Fund" and collectively, the "Funds")

Dear Ken:

Pursuant to the parties' conversations regarding the Funds, notwithstanding any provision of the Limited Liability Company Agreement of ValStone Opportunity Fund III(b), the Limited Liability Company Agreement of ValStone Opportunity Fund III(b)-AIV I, the Limited Liability Company Agreement of ValStone Opportunity Fund IV or the Limited Liability Company Agreement of ValStone Opportunity Fund IV-AIV I, as the same shall have been amended, restated and/or modified, the following is intended to memorialize the resolution of the outstanding matters between Gryphon and the Funds.

A. ValStone Opportunity Fund III(b), LLC and ValStone Opportunity Fund III(b)-AIV I, LLC (collectively, "ValStone III(b)").

a. Total Fund Commitments:	\$28,787,876.76	
b. Total Commitment Gryphon:	2,000,000.00	(6.947%)
c. Total Commitment Less (d) below	1,928,646.50	(6.699%)
d. Contribution not made by Gryphon on June 25, 2009	71,353.58	
e. Distributions to be made to Gryphon after June 25, 2009 based on 6.947% (excluding distribution from sale of "senior housing" assets, which distribution was made		\$197,491.06

in full to Gryphon in  
November 2011)

- |   |              |
|---|--------------|
| f. Distributions actually made to Gryphon after June 25, 2009 (excluding distribution from sale of "senior housing" assets, which distribution was made in full to Gryphon in November 2011): | \$126,137.48 |
|---|--------------|

Per our conversation, ValStone III(b) shall pay to Gryphon \$71,353.58. ValStone III(b) and Gryphon hereby agree that Gryphon's ownership interest in ValStone III(b) shall hereinafter be determined to be 6.699% in connection with all subsequent distributions and for all other purposes, and ValStone III(b) shall tender to Gryphon, 6.699% of the total amount of distributions that ValStone III(b) makes to its investor members; provided, however, that in connection with any distribution which would otherwise be made at any time after the date hereof, ValStone III(b) shall be allowed to retain an aggregate amount of \$71,353.58 from the first of Gryphon's subsequent distributions. Once ValStone III(b) shall have retained the \$71,353.58 from all subsequent distributions, it shall at all times thereafter make any distributions to Gryphon with respect to Gryphon's 6.699% interest in ValStone III(b).

B. ValStone Opportunity Fund IV, LLC and ValStone Opportunity Fund IV-AIV I, LLC. (collectively, "ValStone IV").

In connection with the resolution of matters between Gryphon and ValStone IV, ValStone IV shall provide a Promissory Note to Gryphon, in the aggregate principal amount of \$364,000, in the form attached here to as Exhibit A (the "Note"). Any and all interests previously held by Gryphon in ValStone IV, shall be exchanged for Gryphon's interest in the Note and, pending receipt of the Order (defined below), shall be evidenced solely by the Note.

C. Releases.

Gryphon hereby releases and forever discharges the Funds, as well as the Funds' affiliates, managers, members, officers, employees, agents and attorneys (individually, jointly and collectively, a "Fund Related Person"), jointly and severally, from any and all claims, liabilities, costs and expenses of every kind or nature, which Gryphon ever had, now has, or which Gryphon can, shall or may have or allege against a Fund or any Fund Related Person, from the beginning of the world to the date of this letter agreement, upon or by reason of any matter, cause or thing related in any way whatsoever to the Funds other than any obligations of the Funds under this letter agreement and/or the Note and other than for fraud.

Each Fund hereby releases and forever discharge Gryphon, as well as Gryphon's affiliates, managers, members, officers, employees, agents and attorneys (individually, jointly and collectively, a "Gryphon Related Person"), jointly and severally, from any and all claims, liabilities, costs and expenses of every kind or nature, which a Fund ever had, now has, or which a Fund can, shall or may have or allege against Gryphon or any Gryphone Related Person, from

Kenneth Abel, Esq.  
March 11, 2013  
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the beginning of the world to the date of this letter agreement, upon or by reason of any matter, cause or thing related in any way whatsoever to the Funds other than any obligations of Gryphon under this letter agreement and other than for fraud.

D. Judicial Confirmation of Agreement.

Upon execution and delivery of this letter agreement, Faye Feinstein, not individually, but solely as the court-appointed Receiver for the Receivership Estate of Gryphon, currently administered under case number 09-C-506 in the United States District Court for the Eastern District of Wisconsin (the "Court"), shall file the necessary motion with the Court to request entry of an order mutually agreed to by Gryphon and the Funds (the "Order") approving the agreement as detailed above. Upon entry of said Order, the aforementioned \$71,353.58 shall be paid to Gryphon, and the Note shall take full force and effect. In the event that the Receiver has not filed the necessary motion for the Order on or before April 15, 2013, the Court fails to issue the Order on or before December 31, 2013 or the Court declines to issue the Order, the agreements set forth in Paragraph A (above) and Paragraph B (above), including the Note, shall be null and void.

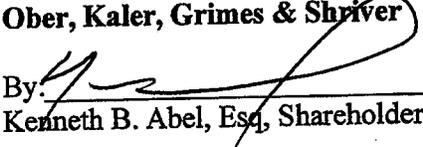
Please indicate your agreement to the terms of this letter agreement by having the Funds execute and deliver the same by their authorized representatives.

Regards,  
  
Faye B. Feinstein

Kenneth Abel, Esq.  
March 11, 2013  
Page 4

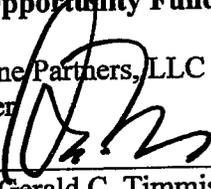
**ACKNOWLEDGED AND AGREED:**

**Ober, Kaler, Grimes & Shriver**

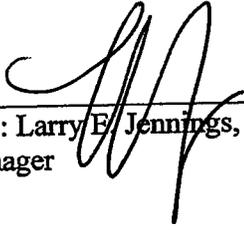
By:   
Kenneth B. Abel, Esq, Shareholder

**ValStone Opportunity Fund IV, LLC**

By: ValStone Partners, LLC  
Its: Manager

By:   
Name: Gerald C. Timmis III  
Title: Manager

and

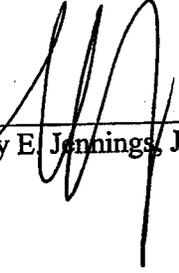
By:   
Name: Larry E. Jennings, Jr.  
Title: Manager

**ValStone Opportunity Fund III(b), LLC**

By: ValStone Partners, LLC  
Its: Manager

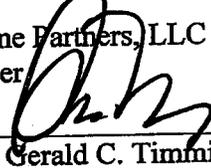
By:   
Name: Gerald C. Timmis III  
Title: Manager

and

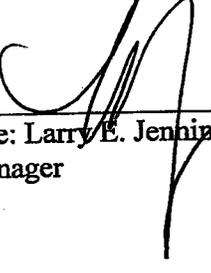
By:   
Name: Larry E. Jennings, Jr.  
Title: Manager

**ValStone Opportunity Fund IV-AIV I, LLC**

By: ValStone Partners, LLC  
Its: Manager

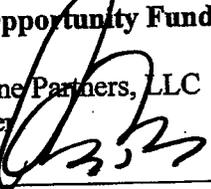
By:   
Name: Gerald C. Timmis III  
Title: Manager

and

By:   
Name: Larry E. Jennings, Jr.  
Title: Manager

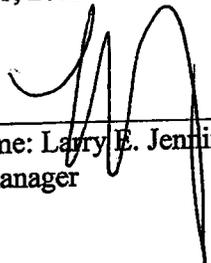
**ValStone Opportunity Fund III(b)-AIV I, LLC**

By: ValStone Partners, LLC  
Its: Manager

By:   
Name: Gerald C. Timmis III  
Title: Manager

and

Kenneth Abel, Esq.  
March 11, 2013  
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By:   
Name: Larry E. Jennings, Jr.  
Title: Manager

**WML Gryphon Fund, LLC**

By: \_\_\_\_\_  
Name:  
Title:

## PROMISSORY NOTE

\$364,000.00

March 15, 2013  
Birmingham, Michigan

FOR VALUE RECEIVED, VALSTONE OPPORTUNITY FUND IV, LLC, a Delaware limited liability company ("**Borrower**"), promises to pay to the order of WML Gryphon Fund, LLC ("**Lender**," which term shall also include any subsequent holder of this Note), the principal sum of Three Hundred Sixty-Four Thousand Dollars (\$364,000.00) (the "**Principal Amount**"), together with interest until paid, as set forth in this Note.

1. **Interest Rate.** Interest shall accrue and be payable on the outstanding principal balance of this Note at the fixed interest rate of 0.89% per annum. Interest shall be calculated daily on the basis of the actual number of days elapsed over a 365 day year.
2. **Maturity Date.** The outstanding principal amount of this Note, together with all accrued and unpaid interest thereon, and all late charges, fees and Collection Costs (as defined below) shall be due and payable in full on the Maturity Date. For purposes of this Note, "Maturity Date" means the earlier of (a) March 17, 2017; (b) the occurrence of an Event of Default under this Note; and (c) the date on which the Borrower receives written notice that the Receiver for the Receivership Estate of the Lender currently administered under case number 09-C-506 in the United States District Court for the Eastern District of Wisconsin (the "**Receiver's Notice**") shall petition the Court to close the Receivership Estate; *provided, however*, in the event the Receiver's Notice is provided to the Borrower (i) on or after the date hereof but before March 17, 2014, the Principal Amount to be repaid by the Borrower shall be discounted by 40%; (ii) on or after March 17, 2014 but before March 17, 2015, the Principal Amount to be repaid by the Borrower shall be discounted by 30%; (iii) on or after March 17, 2015 but before March 17, 2016, the Principal Amount to be repaid by the Borrower shall be discounted by 20%; and (iv) on or after March 17, 2016 but before March 17, 2017, the Principal Amount to be repaid shall be discounted by 10%.
3. **Late Charges; Default Rate.** All amounts due Lender, including principal and, to the extent permitted by applicable law, interest not paid when due (without regard to any notice and/or cure provisions set forth in this Note), including principal becoming due by reason of acceleration by Lender of the entire unpaid balance of this Note, shall bear interest from the due date thereof until paid at the Default Rate. "Default Rate" shall mean a rate of interest equal to the interest rate in effect at the time of the default as herein provided plus five percent (5%) per annum.
4. **Manner of Payment; Application of Payments.** Payments shall be made in U.S. dollars by wire transfer of immediately available funds without defense, set-off, counterclaim or deduction of any kind on the due dates of such payments, and shall be made to the address set forth herein for notices to Lender. Payments shall be applied to principal, interest, late charges, expenses and fees in such order as Lender may determine in Lender's discretion.

5. **Prepayment.** Borrower may prepay this Note in whole or in part at any time without premium or penalty.

6. **Default; Acceleration.** The occurrence of any of the following events shall be an "Event of Default": (a) failure of Borrower to make any payment under this Note within ten (10) days after the same shall become due; (b) Borrower becomes insolvent or the subject of a voluntary or involuntary proceeding in bankruptcy (and, if involuntary, such proceeding is not dismissed within forty five (45) days of the commencement thereof); or (c) Borrower ceases doing business as a going concern or determines to liquidate or is the subject of a dissolution.

7. **Collection Costs.** Borrower shall pay to Lender, within ten (10) days after Lender's request or demand for such payment, all amounts necessary to pay, or to reimburse Lender for, all costs and expenses of enforcing this Note, including, without limitation, all of Lender's reasonable attorney's fees incurred in enforcing this Note whether or not it is necessary to file suit (collectively, "Collection Costs"). If Borrower shall fail to pay Collection Costs to Lender, Lender shall be entitled to add the amount so requested or demanded to the amount of principal outstanding under this Note and thereafter charge interest thereon at the interest rate applicable to the outstanding principal balance of this Note. If Lender shall add the amount of Collection Costs so requested or demanded, but not paid, to the amount of principal outstanding under this Note as provided in this Section, neither the addition of such unpaid amount to the principal outstanding under this Note, nor the charging of interest thereon, shall relieve Borrower of any Event of Default for failure to pay Collection Costs when due, and Lender shall be entitled to exercise all of Lender's rights and remedies upon the occurrence of any such Event of Default.

8. **Notices.** Any notice required or permitted by or in connection with this Note shall be in writing and shall be made by telecopy, or by hand delivery, or by overnight delivery service, or by certified mail, return receipt requested, postage prepaid, addressed to the parties at the appropriate address set forth below or to such other address as may be hereafter specified by written notice by the parties to each other. Notice shall be considered given as of the earlier of the date of actual receipt, or the date of the telecopy or hand delivery, or one (1) business day after delivery to an overnight delivery service, or three (3) business days after the date of mailing, independent of the date of actual delivery.

If to Lender:           c/o Quarles & Brady LLP  
300 North LaSalle Street  
Suite 4000  
Chicago, Illinois 60654  
Attn: Faye Feinstein, Esquire

If to Borrower:       260 E. Brown Street  
Suite 250  
Birmingham, Michigan 48009  
Attn: Gerald C. Timmis III

9. **Amendments.** This Note may not be changed orally, but only by an agreement in writing signed by the party against whom such agreement is sought to be enforced.

10. **Severability.** If any provision or any part of any provision contained in this Note shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision or remaining part of the affected provision of this Note, but this Note shall be construed as if such invalid, illegal, or unenforceable provision or part thereof had never been contained herein but only to the extent such provision or part thereof is invalid, illegal, or unenforceable.

11. **Certain Waivers.** As to this Note, Borrower waives all applicable exemption rights, whether under any state constitution, homestead laws or otherwise, and also waives valuation and appraisal, presentment, notice of dishonor, and protest, notice of demand and nonpayment of this Note, and notice of acceleration and expressly agrees that the maturity of this Note, or any payment under this Note, may be extended from time to time by Lender without in any way affecting the liability of Borrower.

12. **Preservation of Lender's Remedies.** No failure on the part of Lender to exercise any right or remedy hereunder, whether before or after the happening of an Event of Default shall constitute a waiver thereof, and no waiver of any past Event of Default shall constitute waiver of any future default or of any other Event of Default. No failure to accelerate the indebtedness evidenced hereby by reason of any Event of Default hereunder, or acceptance of a past due payment, or indulgence granted from time to time, shall be construed to be a waiver of the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or shall be deemed to be a novation of this Note or as a reinstatement of the indebtedness evidenced hereby or as a waiver of such right of acceleration or any other right, or be construed so as to preclude the exercise of any right that Lender may have, whether by the laws of the State of Michigan, by agreement, or otherwise. Borrower hereby expressly waives the benefit of any statute or rule of law or equity that would produce a result contrary to or in conflict with the foregoing provisions of this Section.

13. **Joint and Several Liability.** If there is more than one party signing this Note as Borrower, the liability of each such party shall be joint and several.

14. **Time.** Time is of the essence in performance under this Note.

15. **Maximum Rate of Interest.** Anything herein to the contrary notwithstanding, the obligations of Borrower under this Note (or any other instrument, agreement or other document evidencing or securing the indebtedness evidenced by this Note) shall be subject to the limitation that payments of interest shall not be required to the extent that receipt of any such payment of interest by Lender would be contrary to provisions of law applicable to the indebtedness evidenced hereby (or applicable to Borrower or Lender) limiting the maximum rate of interest that may be charged or collected by Lender on this Note or the indebtedness evidenced hereby. Without limiting the generality of the foregoing, all calculations of the rate of interest contracted for, charged or received under this Note which are made for the purposes of determining whether such rate of interest exceeds the maximum rate of interest permitted by applicable law shall be made, to the extent permitted by applicable law, by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of this Note, all interest at any time contracted for, charged or received in connection with the indebtedness evidenced by this Note, and then to the extent that any excess remains, all such excess shall be automatically

credited against and in reduction of the principal balance, and any portion of said excess which exceeds that principal balance shall be paid by Lender to Borrower, it being the intent of the parties hereto that under no circumstances shall Borrower be required to pay any interest in excess of the highest rate permissible under applicable law.

16. **Captions.** Section headings and captions in this Note are for convenience only and shall not affect the construction or interpretation of this Note. Unless otherwise expressly stated in this Note, references in this Note to Sections shall be read as Sections of this Note.

17. **Successors and Assigns.** This Note shall be binding upon Borrower and Borrower's successors and assigns, and inure to the benefit of Lender and Lender's successors and assigns.

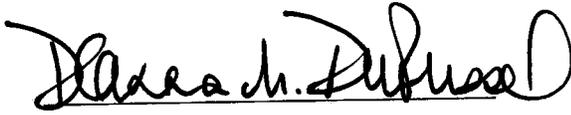
18. **Michigan Law.** This Note shall be governed by the laws of the State of Michigan (excluding Michigan's conflicts of laws rules).

19. **MUTUAL WAIVER OF JURY TRIAL.** BORROWER AND LENDER WAIVE ALL RIGHTS TO TRIAL BY JURY OF ANY CLAIMS OF ANY KIND ARISING UNDER OR RELATING IN ANY WAY TO THIS NOTE. BORROWER AND LENDER ACKNOWLEDGE THAT THIS IS A WAIVER OF A LEGAL RIGHT AND REPRESENT TO EACH OTHER THAT THESE WAIVERS ARE MADE KNOWINGLY AND VOLUNTARILY AFTER CONSULTATION WITH COUNSEL OF THEIR CHOICE. BORROWER AND LENDER AGREE THAT ALL SUCH CLAIMS SHALL BE TRIED BEFORE A JUDGE OF A COURT HAVING JURISDICTION, WITHOUT A JURY.

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IN WITNESS WHEREOF, and intending to be legally bound hereby Borrower executes this Promissory Note, under seal, as of the date first written above.

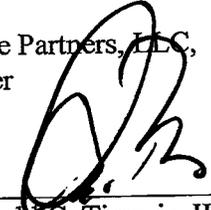
**WITNESS:**



**BORROWER:**

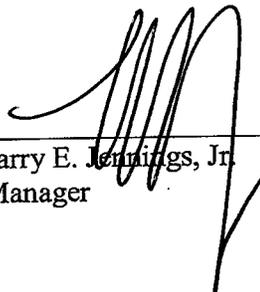
**VALSTONE OPPORTUNITY FUND IV, LLC,  
a Delaware limited liability company**

By: ValStone Partners, LLC,  
Its: Manager

  
By: \_\_\_\_\_ (SEAL)  
Gerald C. Timmis, III  
Its: Manager

and



  
By: \_\_\_\_\_ (SEAL)  
Larry E. Jennings, Jr.  
Its: Manager

**Exhibit B**  
**Proposed Order**

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF WISCONSIN  
GREEN BAY DIVISION**

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SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

Civil Action No: 09-C-506

WEALTH MANAGEMENT, LLC,  
JAMES PUTMAN, and SIMONE FEVOLA,

Defendants, and

WML GRYPHON FUND, LLC;  
WML WATCH STONE PARTNERS, L.P.; WML  
PANTERA PARTNERS, L.P.; WML PALISADE  
PARTNERS, L.P.; WML L3, LLC;  
WML QUETZAL PARTNERS, L.P., and  
EMPLOYEE SERVICES OF APPLETON, INC.,

Relief Defendants.

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**ORDER APPROVING SETTLEMENT WITH VALSTONE FUNDS  
AND GRANTING RELATED RELIEF**

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THIS CAUSE, coming to be heard on the *Motion of Faye B. Feinstein, Receiver for Wealth Management LLC and the Relief Defendants, for Entry of an Order (A) Approving Settlement with Valstone Funds and (B) Granting Related Relief* (the "Motion"; all capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion); due and proper notice of the Motion having been served on all entities entitled thereto and no other or further notice being required; the Court finding that (a) the Court has jurisdiction to grant the relief requested in the Motion; (b) the Settlement is reasonable in light of the benefits to be conferred upon the receivership estate of WML Gryphon LLC ("Gryphon") and the risks posed by litigation in the absence of the Settlement; (c) the proposed Settlement as a whole is fair and equitable and is in the best interests of Gryphon, and (d) entry into the Settlement represents a

reasonable exercise of the Receiver's discretion and an appropriate exercise of her fiduciary duty, and the Court being otherwise fully advised in the premises,

**IT IS HEREBY ORDERED THAT:**

1. The Motion is **GRANTED**.
2. The Settlement is approved.
3. The Receiver is authorized to enter into and perform under the Settlement Agreement, including, without limitation, to accept the Note from Valstone IV.
4. The Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation of this Order.

**SO ORDERED** this \_\_\_\_ day of \_\_\_\_\_, 2013

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Honorable William C. Griesbach  
United States District Judge