

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; and WML  
QUETZAL PARTNERS, L.P.

Relief Defendants.

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**RECEIVER'S RULE 7.4 EXPEDITED NON-DISPOSITIVE MOTION TO STAY**

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Under U.S.C.A. §1367(a),<sup>1</sup> and pursuant to the inherent authority and sound discretion of this Court, the Receiver respectfully moves for an order staying all ancillary litigation against the named defendants and relief defendants, (collectively, the "WM Funds"), or the WM Funds' insurer, Houston Casualty Company, and other as of yet unidentified insurers, pending completion by the Receiver of all duties set forth in the First Modified Order Appointing Receiver. The Receiver believes such an order is necessary to preserve the status quo of the assets to be distributed to the WM Funds' investors while the Receiver fulfills her court-ordered duties.

Since her appointment, the Receiver has begun a comprehensive investigation, registered the receivership in all jurisdictions currently known to her where the WM Funds may have

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<sup>1</sup> Section 1367(a) provides that except as expressly provided by a Federal Statute, "in any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution."

QB8175716.2

assets,<sup>2</sup> and sent notices to all sub-fund managers known to her.<sup>3</sup> But even with continued diligence, it will take the Receiver weeks or months to identify and determine the location of all assets, to liquidate those assets, and to determine how they should be distributed. In the meantime, third-parties have already issued demands and threatened litigation.<sup>4</sup> Due to the complexity of the Receiver's tasks, and the likelihood that third-parties will commence litigation in the interim, a stay of ancillary litigation is necessary.

If ancillary litigation is handled piecemeal, investors, creditors and other third-party litigants may be foreclosed from receiving their fair share of the WM Funds' assets. This is because judgments resulting from ancillary claims brought against the funds, or against the funds' insurer, could potentially exhaust whatever resources exist before the Receiver has even had a chance to identify the asset pool. It would be fundamentally unfair if only aggressive claimants, who hire counsel and bring actions in the earliest days of the receivership, have an opportunity to recover a share of the WM Funds' assets. Accordingly, ancillary litigation should be stayed -- at least until the Receiver has made her final Report and Recommendation to the Court.

Furthermore, the requested stay is consistent with the protections already granted by this Court because it will help maintain the status quo. Unless restrained, litigants may eventually encumber the WM Funds' assets, to the irreparable injury of investors and creditors. This would be contrary to the express purposes of appointing a receiver. And more immediately, if ancillary litigation is not stayed, the Receiver may be forced to turn her attention from the court-ordered tasks at hand to the defense of the WM Funds and the use of scarce resources in that defense. This, too, would be contrary to the purposes of the receivership.

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<sup>2</sup> Notice of Filing Appointment of Receiver (Docket Entry 22).

<sup>3</sup> See Affidavit of Jane E. Appleby in Support of Motion to Stay, ¶¶ 2 and 3.

<sup>4</sup> *Id.*, ¶ 3. Having received notice of possible litigation, the Receiver has issued document retention notices to all WM Funds and known sub-managers. See Exhibit A to Affidavit of Jane E. Appleby in Support of Motion to Stay. QB\8175716.2

Finally, the Court and third parties have an interest in staying ancillary litigation: Resolution of the Receivership will narrow third-party issues and discovery. There is bound to be overlap between the facts underlying potential litigants' claims and the investigative efforts being made by the Receiver. Moreover, issuing a stay will in no way prejudice potential litigants; any individual or entity with a claim against the WM Funds will eventually have their day in court, and those cases will actually be simplified if they are forestalled until the Receiver has fulfilled her duties. Reduced to essentials, the Receiver's motion for a stay of ancillary litigation should be granted because investors, creditors and other third-party claimants will suffer irreparable harm if the WM Funds' assets are distributed inequitably, and the only way to distribute those assets equitably is under supervision of this Court within the context of the receivership. Therefore, it is critical for everyone concerned -- investors, creditors, and other third-party litigants -- for the Court to stay ancillary litigation until the Receiver completes her duties under the First Modified Order Appointing Receiver.

Dated this 9th day of June, 2009.

MICHAEL H. SCHAALMAN  
DANIEL E. CONLEY  
CRISTINA HERNANDEZ-MALABY  
JANE E. APPLEBY

s/ Jane E. Appleby

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